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THEODOLI'S ANNUAL REPORT TO PETROLEUM UNION ASSEMBLY

Rome RASSEGNA PETROLIFERA in Italian 12, 19 Jun 81

[Report by Giovanni Theodoli, president of the Petroleum Union, to its annual Assembly on 10 Jun 81: "The Balance-Sheet for a Year"]

[12 Jun 81, pp 495-498]

[Excerpts] The annual Assembly of the Petroleum Union was held in the auditorium of CONFINDUSTRIA [General Confederation of Italian Industry] on Wednesday 10 June. The president, Dr Giovanni Theodoli, in his speech--of which we present the complete text, together with the first part of the report, relating to the international framework--presented proposals and suggestions for enabling the sector to overcome the most serious crisis it has ever fallen into.

President Theodoli's Speech

The Petroleum Union's press document, which has already been distributed to you, draws an exhaustive picture of the events of major importance that marked the past year in the petroleum sector, both on the international level and on the national one, which in turn is directly influenced by external factors.

In it you will also find mention of the actions that have been taken by our Union and of the results achieved. We shall therefore consider this information as having been presented.

My purpose in presenting to the Assembly and to the outside world my message as president of the Petroleum Union--a purpose which is also a duty--is to review the objectives which the private petroleum industry is pursuing in seeking to carry out properly its role as an important contributor to the supplying of products essential for carrying on industrial processes, for meeting the demand for industrial services and uses, for meeting the demand for private services and uses.

We cannot say, of course, that with the changing of the years, the objectives have changed; rather, they always have a common base: affirming in this as in other fields of activity the validity of private enterprise as an instrument capable of achieving the country's economic and social end purposes; making known the conditions necessary for it to be in a position to develop its own contribution effectively; removing the difficulties and obstacles that are unfortunately encountered.

Member Firms of the UP [Petroleum Union]

AMOCO	FIAT LUBRIFICANTI	MONCISA PETROLI
AQUILA	FINA ITALIANA	RONDINE
BITUMOIL	GARRONE	SARAS
BRITTANICA PETROLI	GULF ITALIANA	SARPOM
CARMAGNANI	ICIP	SHELL ITALIA
CHEVRON OIL ITALIANA	ICROMA	SPI
CLASA PETROLI	IPLOM	STANIC INDUSTRIA PETROLIFERA
ERG	ISAB	TEXACO
ESSO ITALIANA	LA PETROLIFERA ITALO-RUMENA	TOTAL
FA PETROLI	LOMBARDA PETROLI	VISCOLUBE ITALIANA
FEDERAL	MOBIL OIL ITALIANA	

What varies is only the experiences and preoccupations connected with the mutable facts of the current situation--a situation that for several years has taken on critical dimensions.

Looking back over our shoulders, we see, indeed, that for one reason or another, the conditions of our sector have been regularly characterized in recent years by extraordinary events:

--either by the effect of the decisions of the producer countries that have given the crude-oil quotations an accelerated rate of increase, quite a bit higher than the rate of inflation prevailing in the consumer countries;

--or because of supply difficulties connected with the Iranian internal crisis and the subsequent Iran-Iraq conflict--not to overlook, at the origin of the big turnaround, the Yom Kippur war and the events that followed from it.

Today, with a sudden reversal of the market conditions, we have gone from a crisis of shortage to a crisis of abundance, with supply that well exceeds demand.

The principal contributor to this situation, as is shown in the press report, is the drop in overall demand for oil that got gradually steeper during 1980 and the first months of 1981, and that felt, in the context, the influence of two factors: expensive oil, and the widespread slowdown in the heart rate of the world economy.

In our country, the latest available data relating to the first 4 months of 1981 show, in comparison with the same period of last year: a 2.9-percent decrease in total domestic consumption (from 37.1 to 36.0 million tons) and a 4.2-percent drop in refining (31.6 as against 33 million tons processed during the period in question).

To return to the world scene, the accumulated stocks in the Western area the moments of feared shortage [as published] have reached levels that exceed the normal reserves by 10 percent, tying up very large amounts of capital.

Their tendency to grow also contributes to holding down demand.

What are the meanings of this reversal of outlook, the characteristics of which seem radically atypical when contrasted with what normally occurs when the supply of a product considerably exceeds the demand for it?

It should be kept in mind:

--that the flow of crude oil is regulated by the official prices established by the producer countries--prices that only now are beginning to feel market fluctuations. The reductions recently preannounced will, if implemented, make only a minimal contribution to containment of the higher supply costs that are already burdening the operators;

--that the spot market, on which the supply competition has the most direct effect, involves only a marginal fraction of consumption;

--that while the outlooks for a downward-oriented oil market are growing stronger, the importers--Italian and European--are actually anticipating considerable increases in the cost of this raw material from the effect of the appreciation of the dollar vis-a-vis the lira and the other European currencies.

From 31 December 1980 to date--thus within the compass of only 5 months--we have gone from 930 lire to the dollar to 1,188 lire, an increase just a little below 28 percent. And for us, the dollar means oil, as it means other raw materials too.

In this situation there is a growth of the concerns, the unease, the burdens that have an effect especially on the refining industry and even more on those firms tied to contracts for supply of crude at higher costs, because they do not find in the official prices or in the general market conditions the possibility of making up the losses from the higher costs and therefore nourishing their own production cycle.

At the limit today, the importation of petroleum products at "spot" prices predominates over the importation of crude oil.

For every ton of crude oil processed, about 92 percent of the cost is for the raw material. All the operations of storage, refining, distribution, and the capital expenditures, those for operating and the financial costs connected with it, constitute only 8 percent. Therefore, a mere 100-lire increase in the lira/dollar exchange rate not compensated for in the prices--and from January to date, the rate has increased by 258 lire--is enough to put entirely on the firms the burden of all the costs sustained for transforming the oil into gasoline, gas-oil and other products and putting them into distribution.

It is obvious that under these conditions, merely the delay in reestablishing account parity has a disruptive effect.

Several significant measures for closing down or reducing the activity of refineries in the European area are already giving the phenomenon a concrete dimension.

This complex of reasons and the persistence of dangerous tensions in the Middle East area are not helping to attenuate, despite the excess of supply, the climate of uncertainty that is now the dominant characteristic of the oil market, or to make the outlooks for the future more promising.

The recent OPEC conference in Geneva confirmed the difficulty those producer countries are having in agreeing on a common policy and the risk of a middle approach prevailing between the opposing tendencies by which the seller's interest would prevail.

While it is indeed significant that for the first time since 1978 the OPEC decisions did not approve increases, and there is a considerable role for the producer countries that purpose to reestablish unity in a market characterized by a scattering of prices, the gaps among which are not justified by differences of quality of distance from the consumption areas, the temporary stability of the quotations for crude at site of origin as measured in dollars and, in the context, the appreciation of that currency in terms of its rate of exchange with the other European currencies means for us an increase in costs, and for the producers of crude, an increase in the rates of exchange.

It will also be necessary to determine the extent, amplitude and effects that the proposals to limit production will have on the market conditions.

The addition of this set of factors to the traditional difficulties and to the growing burden, in foreign-exchange terms, of the oil-energy supply validates the directions that have now been taken in the strategy of the industrially developed consumer countries and that are being pursued more vigorously all the time.

For several years now, but with growing involvement and considerable effect, they have been having an influence on:

- the saving and more rational use of energy, and of petroleum products in particular, in the various sectors of use;
- the replacement, where possible, of oil by other energy sources that cost less, as alternatives or supplements, and that can in future ensure the coverage of the major needs;
- the concentration of the use of oil in the sectors of higher added value.

We are the first to be convinced of this necessity, considering that diversification of sources and more limited utilization of oil can not only guarantee better in future those larger quantities of energy that will be necessary to the process of growth of the world economy, considering also the lag of the developing countries, but would also have the positive effect of contributing to normalization of a market that is extremely sensitive to the pressures of demand and limited in its overall availability outlooks vis-a-vis the potential increase in energy needs.

Even if for us Italians, looking into the future and wanting to believe the government forecasts, oil, which today accounts for 67 percent of the fulfillment of our energy needs, will still constitute the principal source in 1990, at around 50 percent.

In the matter of energy-saving and of resources alternative to oil, I will mention the Petroleum Union's initiative in establishing, in the years 1979-80, a Press Award, an award that will be renewed this year, with the management of it entrusted to the Center for Journalistic Documentation.

By this initiative, our Union intended, and intends still, to contribute, by soliciting the collaboration of Italian journalists, to the formation, in public opinion, of better knowledge of the energy problems, so that people can knowledgeably participate, by their behavior, in development of the great reservoir of resources that saving constitutes.

Difficulties, uncertainties, the situation's heavy effects on production and on the possibility of keeping going, with lire, a production cycle that pays for its raw material in dollars; these are the distinctive characteristics of the circumstances in which the national oil sector functions today.

Price policy is indubitably the keystone of any program for development, restructuring and reconversion of an industrial sector, even if it cannot be considered an independent factor in itself.

We shall return to this topic. But what we must assert as a priority requirement is the implementation of a coordinated organic policy on energy.

It is necessary to put the sector's problems into the framework of an overall vision that establishes a coherent relationship among the various levels of intervention, giving the entrepreneur a sure point of reference and thereby the possibility of programming in turn, with certainty, the choices on the financial, technical and production levels within which he can orient his own activities.

It is this point of view that must encompass the various problems of importation and production, of reserves, of taxation system, of distribution, of the technical characteristics of the products, and at bottom, of a domestic-prices arrangement capable of preventing situations of speculative type, but at the same time of ensuring an adequate rate of return for industry. This is what we mean by an organic and coordinated policy--a policy that necessarily presupposes, at the bottom, knowledge of how, in time, the supply of petroleum products--that is, the "Italy" barrel--must adapt to the changed composition of demand, of the fallout from this adaptation process on the productive structures, of the commitments following from it.

We are fully in agreement with the Hon Pandolfi and the Hon La Malfa when they declare that "it is necessary to break the spiral of measures taken from one day to the next" and that, unfortunately, ours is "a makeshift economic policy." We therefore consider it essential to give, as quickly as possible, not only form but also substance to the latest Energy Plan, which was preannounced more than a year ago.

We are sorry to have to note, in this regard also, the high cost that political instability makes the country pay.

We hope that the government is in a position to present, in official and definitive form, a document that is eagerly awaited and that in its general outlines has been judged positively.

We do not know its final text yet, after the finishing touches and additions made to it by Minister Pandolfi. But we know that on the whole, the 1981 Energy Plan has a more organic form than the preceding ones, and is clear in its objectives even if they are tied to a series of suppositions that it will not be easy to make reality.

We find in this Plan also the concept of plurality of operators and recognition of the role of private industry. We would like this role not to be expressed in purely verbal terms, as unfortunately often happens, but that it be confirmed by appropriate initiatives and behavior.

As regards our sector, we note in the chapter relative to subjects operating in the national market the absence of indications as to the contribution of the independent

private firms--firms that rightly claim an active presence in the national petroleum structure.

We have no basic objections to the broad outlines of the Energy Plan. What concerns us most is that we do not see the objectives translated into concrete projects, the fear that in this field too, the trillions of lire allocated on paper might largely go to increase the already large store of passive surpluses. Furthermore, experience leads us to stress the advisability of better coordination among the national government, the regions and the communes from the instrumental point of view.

Regarding the Plan's forecasts of the chronological evolution of total energy demand and the variation of the degree of participation by the various sources, we point out that they depend on such a complex of unknowns as to merit constant monitoring and updating at frequent intervals.

On the other hand, the pathway is not only correct but obligatory if we want to keep the Italian economy competitive with those of the other countries of the Western area.

It is therefore necessary for the various problems connected with concrete achievement of the Plan's objectives to be tackled with the commitment and political will that they require.

Speaking of oil, the present composition, in terms of product yield, of a barrel of crude refined in our country, as presented in the Press Report, reflects the particular characteristics of national demand and the necessity of taking account of the massive needs of the thermoelectric power plants that burn fuel oil.

We may assume that the difference between Italy's 47 percent and France's 29 percent average fuel-oil yield describes indirectly our lag behind that country in the installations we have for production of thermonuclear energy.

To project into the future, the national petroleum industry is ready to take on a program of restructuring and of plant investment, of "upgrading."

In order to proceed, as I have already suggested, it is necessary to know in time, and with the necessary certainty, whether, when and how the process of substitution of fuel oil in the electric-power and industrial fields will occur, and how the government action aimed at containing energy consumption will develop.

But let it be said parenthetically that we do not consider that this last-named action encompasses the recent provision introducing an obligatory profitless deposit equal to 30 percent of the value of the merchandise imported, even including petroleum products, including semifinished products, which for some production units constitute raw material.

Requirements of this kind, when they hit exchange relations that are closely related to a domestic demand that has to be met, have the sole effect of constituting a burden on the operator, and indirectly, on the entire system of selling prices.

Not to mention the incoherence of having extended the requirement for this unproductive deposit also to the raw material coal. This amounts to saying that at the same

that the state declares it wants to facilitate the replacement of oil by that energy source, where possible, it is actually instituting a tax comparable to a protective imposition, one that will only have the effect of making the operation more difficult.

To conclude this discussion of the evolution of Italy's oil barrel, we can state that it will tend, in time, to go toward the values corresponding to the European average, with an increase in the yields of light and medium-weight distillates and therefore in added value, favoring the products that in the present state of affairs either cannot or cannot easily be replaced by other energy sources.

It is hardly necessary to stress the fact that this process of adaptation will require massive investments, and that these in turn require prospects of industry profitability and therefore adequate self-financing margins.

Another problem that should be defined in an organic manner and in coordinated terms, and that takes on critical dimensions for our sector, is that raised by the obligatory reserve stocks.

The disappearance of production units that used to make a sizable contribution to the reserves, and the increase of the reserve quantity established last February from 90 to 100 days--that is, to a higher level than is the case in the European Community--puts burdens of great magnitude on the backs of a smaller number of operators. There is talk of additional immobilized funds on the order of 1.5 trillion lire, without taking into account the strategic reserve required of the ENI [National Hydrocarbons Agency].

We have brought this matter to the attention of the Ministry of Industry, stressing the necessity for the definition of this problem to take into account, in order to avoid unjust and excessive sacrifices for some firms, of the changed supply conditions and to ensure, in any case, coverage of the burdens inherent in the immobilization of capital.

The creation of an autonomous organism, under public control, that would be responsible for the maintenance and management of the total amount of obligatory reserves exceeding the existing reserves in the refineries and depots for operational requirements--an organism such as has already been implemented in other European countries--would meet the purpose better, overcoming in this way also the hazards connected with lags and defects in price discipline and the difficulties improperly called logistic encountered by the firms in building storage installations, owing to the search for new spaces and the obtaining of the various permits, licenses and concessions necessary for the purpose.

In the course of my speech I have occasionally referred to the fundamental importance of price policy in order to achieve the conditions that are the essential premise for the presence in our market of a number of private operators and to implement a program of development or restructuring.

We have spoken of this on several occasions in past Assemblies, and I believe that the terms of this problem are by now well-known to all.

The coexistence of a price discipline articulated partly with the system of permits and administrative control exercised directly by the CIP [Interministerial Price Com-

mittee] and partly according to the principles of oversight can be accepted only as a transitory phase of a settling-in process that would have as its ending-point the extension of the price-oversight regime to the entire range of products.

This approach has been confirmed in explicit and formal decisions taken by the CIPE [Interministerial Committee for Economic Planning] and declarations by the various governmental personages who have succeeded one another as minister of industry since 1978.

We are also reassured in this regard by the recent specific statement by Minister Pandolfi to the Industry Committee of the Chamber of Deputies.

If this settling-in process has not yet been carried out, the reason is largely the concern about the possible consequences of generalized adoption of the oversight regime in a market until very recently characterized by uncertainties regarding coverage of the domestic needs.

Now that the world oil situation is showing excess supply over demand today, every reason for further postponement has been disappearing along with that concern, which had already been disputed by us.

It is therefore necessary to proceed in such a direction, restoring to the oil firms, by extension of the oversight system, that minimum of elasticity for adaptation to market evolution that is essential if it is desired to restore trust and impetus to the operators.

An oversight system in the field of petroleum-product prices, on the basis of the principles in force, means harmonization of the national domestic prices with the average existing conditions in the other principal countries of the European Common Market.

It does not, therefore, mean freedom to operate at one's discretion, but is only a way to keep the adaptation process, entrusted to the CIP today, from suffering the delays and hazards that always occur when a provision, even if it is purely and simply for recording of objective factors, is translated into a political act, as well as a narrower alignment, even if it is always done after the fact.

The recent experience that evidences divergent trends in the exchange ratios between the lira and the dollar as against the relative stability of the exchange rates among European currencies and a development of the European earnings that do not reflect, except perhaps partly and with serious delays, the effective variations in the costs of crude confirm also the necessity of implementing the norm--expressly provided for but not yet applied--that requires monthly verification of the cost of imported crude, for subsequent recovery from the selling prices of the products: a norm that can be harmonically correlated with the European point of reference, with the same margins of variation that can already be deduced from the method in force.

A mere delay in putting it into application can have very serious consequences for a category of industry which, in our country, as brought out by PETROLEUM INTELLIGENCE WEEKLY, issue of 1 June, is forced to sustain losses amounting to about \$4.66 per barrel.

I am sorry to have to note that the situation gets worse every day and action that would make it possible to have to halt the flow of supplies [as published] becomes more urgent.

We would like in substance, and once and for all, to avoid a situation in which, when because of objective circumstances--whether they be the trend of European prices or the dollar cost of crude or the cost of the dollar in lire--revision of the selling prices of petroleum products is justified, one has to make use of the traditional stresses and exhausting procedures and the consequences of delays often connected with the vicissitudes of the country's politics have to be suffered.

We would like not to have to go to the courts to safeguard the legitimate interests of the firms, even though, unfortunately, some firms have been forced to do so for reasons judged valid in the most recent pronouncements of the Council of State, of the TAR [expansion unknown] and of the Magistracy itself.

In closing my brief statement, and for all the reasons that I think I have sufficiently reviewed, having stressed the advisability of a stable organism's being set up in the energy sector that would assume the function of coordination for effective fulfillment of the objectives of the Plan, and that also a representation of the private petroleum industry be called on to belong to this organism, so as to be able not only to execute or discuss the provisions once they are adopted but also to contribute usefully in the phase of formation of the ideas and approaches, and not in an occasional manner [as published].

At the beginning of my speech I referred to the useful dialogue that we have been able to establish with the present minister of industry on various topics that most directly concern our industrial sector. In substance, the possibility of tackling the sector's problems in "political terms" has so far been linked to relations with specific men in the government. We would like not to have to trust to chance and good luck for the future either; we would like the discussion about the policies for the sector to find a stable site, away from the vicissitudes of the alternation of government personages and approaches.

In this way it will also be easier for us--along with the public agencies operating in the sector, to whom we feel bound by common objectives and interests as well as by relations of mutual friendship and esteem at the management level--to express better our availability for constructive collaboration in order to respond adequately to the country's expectations and to the development of a fundamental field of activity.

[19 Jun 81, pp 520-528]

[Excerpts] In conclusion of what we reported in the preceding issue of RASSEGNA PETROLIFERA, we publish the second part of the report, dealing with the problems of a national character.

National Framework

1. General Outlines

The rebalancing of oil demand and supply laboriously achieved in the last part of 1979, thanks both to the extraordinary measures taken by the government to ensure additional availability of finished products and the commitment and sacrifice of oper-

ators and consumers. was gradually consolidated during the first part of 1980, calming the fears of an impending shortage that had been felt during almost all of 1979.

For our country too, indeed, 1980 was characterized by a situation of satisfactory availability, capable of ensuring coverage of demand and the restoration of good levels of reserves. Contributing to this situation were, in the first place, the international-framework factors already cited, such as abundant availability of oil, contraction of demand in most of the industrialized countries, and the downward trend of the international quotations for products, which permitted greater recourse to importation.

On the domestic level there were, in addition to these factors, the reduction of national oil consumption and the introduction of the new Method for price determination, at least in the first part of the year, until some serious difficulties in application were manifested which, as is more fully described in the appropriate section, made it impossible to ensure a sufficient level of profitability to all the operators, placing insupportable burdens on several important production complexes.

2. Energy Demand

While 1980, from the point of view of the general trend of productive activity, was characterized by continuance of the expansive phase of 1979 (although the trend decelerated during the year), there was a 1.6-percent contraction in energy demand as against 1979. Contraction of the demand for oil contributed in an essential way to this result: the contraction was 3.2 percent, while there was a significant increase (1.2 million tons: up 11 percent) in the use of solid fuels, especially by way of greater consumption of them by the electric power plants and the cement-plant sector.

The contribution of natural gas and of primary electrical energy remained substantially at the levels of the preceding year. It should be pointed out, though, that despite such shifts, Italy's lag behind the other Western countries in the process of substituting alternative sources for oil remains considerable, this lag being due also to the persistent difficulty of making precise choices and implementing them, once they are specified, with the necessary concrete action and timeliness.

The contraction of energy demand in a year of economic expansion (GDP [Gross Domestic Product] up 4.0 percent) is significant and confirms the trend toward containment of energy consumption in our country too. From 1973 to 1980, in fact, along with an average GDP increase of 2.8 percent per year there was an energy-demand increase of only 0.9 percent, with the rate of elasticity running at a rate lower than unity, which tends to bring our country quite a bit closer to the situation of the most advanced economies of the industrialized area.

In particular, even though the production crisis in certain industrial sectors that are heavy consumers of energy (steel and petrochemicals) some modifications in the operating structure of those sectors are not unrelated to the containment of energy demand, one cannot help but note the fact that in our country too, an effective reduction of unit consumption is in progress in our country too, in both the civil and industrial sectors. This is the result of increased sensitivity to the need to eliminate waste and increase energy efficiency, a sensitivity which is heightened by the rising cost of energy. On the other hand, maximum commitment in this direction is vital and urgent if one does not want to be left out of the process, triggered by the oil crisis, of redistribution of labor and wealth at the world level.

3. Oil Demand

Despite the contraction in 1980, total oil demand, at nearly 100 million tons, continues to represent an extremely high proportion (67 percent) of total Italian energy needs, leaving unchanged the breadth of the problems connected with the security and continuity of supplies.

Oil demand has also shown, vis-a-vis 1979, highly diversified shifts for the different products and channels of use.

(a) Products for Automotive Use

--Gasoline

In 1980 the rate of demand for gasoline, after 2 years of sustained increase, was only slightly higher than the preceding year (up 1.3 percent), even though there was a sizable expansion of the automotive fleet from the one year to the next.

In effect, after a phase of appreciable recovery from the low level reached in 1977, it is estimated for 1980 that the average amount of driving by the Italian motorist dropped slightly, down to the level of 9,800 km per year, distinctly lower than the European average.

The reasons for the falling demand trend are to be found essentially in the significant increase in price (due essentially to the tax component)--an increase that was distinctly higher than inflation. There was thus confirmation of the fact that demand reacts to considerable price variations in short time-periods and of the consequent advisability of favoring more frequent adjustments of moderate extent.

<u>Years</u>	<u>Price of Super Gasoline (lire per liter)</u> (weighted annual average)	<u>Demand for Gasoline (1,000's of tons)</u>
1977	500	10,400
1978	500 --	11,090 + 6.6 percent
1979	530 + 6.0 percent	11,960 + 7.8 percent
1980	715 + 34.9 percent	12,120 + 1.3 percent

In this regard, it should be noted that the price of gasolines in constant money was in 1980, on the average, lower than that of 1976.

--Gas-Oil

During the year, the demand for gas-oil for automotive use followed a decreasing dynamic, in line with the deceleration registered by production activity.

For the year total, the variation from 1979 (+ 2.5 percent) seems in any case too modest in comparison with the growth of productive and commercial activity (industrial production up 5.6 percent), so as to justify the hypothesis that the strong demand of the preceding year (+ 20 percent) comprised, to a certain extent, product quantities withdrawn from that sector but actually used in the heating sector because of 1979's shortage of gas-oil for that use.

(b) Products for Heating

The sales of all three principal petroleum fuels for heating registered a considerable drop in 1980 vis-a-vis 1979:

kerosene	- 29.0 percent
gas-oil	- 6.5 percent
fuel oil	- 17.6 percent

These contractions of demand--which in the case of gas-oil does not entirely reflect the effective trend because of what was noted above with regard to gas-oil for automotive use--are certainly the result of the consumer's response to the considerable price increases for fuels and to the efforts made for a policy of saving in consumption, even though one should not underestimate the contribution made by the favorable climatic conditions and the administrative measures, in effect in the first part of the year, for limiting the hours of use of the installations.

(c) Products for Industry (Fuel Oil)

The industrial sector's demand for fuel oil registered a drop of 3.4 percent as compared with 1979, in parallel with a production-activity increase of 5.6 percent.

As mentioned above, this result expresses the effects of the efforts made, especially by heavy industry, to rationalize the energy processes, as well as of the first substitutions of coal for fuel oil in the cement plants. But it is also the consequence of the abovementioned crisis that hit several energy-intensive industrial sectors such as steel and chemicals, and of the tendency of those sectors to import directly from abroad semifinished products which it takes the greatest intensity of energy consumption to produce.

This phenomenon, which in other aspects is a burden on the trade balance, is explained mainly by reasons of economic convenience, because of the lower cost of the labor and energy components in the countries that produce such manufactures, and as regards the petrochemical sector, also by the unfavorable profitability prospects for the products not usable in the sectors manufacturing processes. In future, though, this tendency seems destined to take on a structural character, as the consequence of a greater role demanded by the raw-material producer countries in the initial phases of the transformation processes, because of their desire to develop local industrialization.

The thermoelectric sector's demand for fuel oil increased by 6.3 percent in 1980 as a result of the higher demand for electrical energy (which, though, rose in 1980 at a rate lower than the gross-product growth rate), about 56 percent of the production of which was accounted for by the petroleum fuels.

It should be emphasized that a considerable proportion of the fuel oil consumed by the thermoelectric sector was supplied by imports, which were nearly double those of 1979.

4. The Oil Balance-Sheet

The characteristics of the 1980 oil balance-sheet can be summarized as follows:

--a strong contraction of processing by the refineries, along with the doubling of finished-product imports over 1979;

- a reduction of all categories of use, especially in exportation and bunkering;
- an increase in the level of reserves of finished products in the refineries circuit and the primary distribution system.

--The Processing by the Refineries

In 1980 the Italian refineries processed 96.6 million tons of raw material (9.14 million tons of crude and 5.2 million of semifinished products from abroad), which represents a contraction of 14 percent from 1979, and just 56 percent of the capacity of the primary distillation plants was used. In addition to the inactivity of some operators, mainly independent ones, the reasons for this contraction are to be found in:

- (a) the net decrease in processing of crude for foreign customers--a decrease which, as is shown in greater detail below, had its origin in the contraction of world demand, the increased competition from other countries, and the braking action represented by administrative-bureaucratic creation of certain conditions;
- (b) the difficulties experienced by the independent operators in access to crude, especially in the second half of the year, because of the selling-price levels of products in the domestic market and also in the international market vis-a-vis the prices of the raw material available;
- (c) the preferability, for a good part of the year, of buying semifinished products in the international market rather than buying and processing certain types of crude --which explains, among other things, the doubling of the imports of finished products.

While the first two causes cited are troubles that it is hoped will be overcome, the reduction of supply will have to represent an increasingly accentuated characteristic for the future too, so that all opportunities that will be offered by the anticipated availability of semifinished materials and products (also those coming from the producer countries) to be utilized in optimal integration with crude should be seized.

Italy - Sources of Crude*

(millions of tons)

	<u>1979</u>	<u>1980</u>
Middle East	73.1	52.2
Africa	30.2	27.0
USSR	5.4	5.5
Latin America	1.2	3.0
Other sources	<u>0.6</u>	<u>0.9</u>
Totals	110.5	88.6

* Including imports on behalf of foreign customers

5. The Oil Bill

The sharp increase in the CIF cost, in lire per ton, of the crude imported for the domestic market (73-percent higher than in 1979) and the reduction in exportation and

bunkering (also as a result of the contraction of processing for foreign customers) caused in 1980 a notable deterioration of the Italian oil bill, which closed with a negative balance of 17.6 trillion lire, almost double that of 1979, and had a decisive effect on the deterioration of our accounts with foreign countries.

The Italian Trade Balance for Oil
(billions of lire)

	<u>Outlay</u>	<u>Income</u>	<u>Balance</u>
<u>1979</u>			
Purchase of crude	12,202	--	- 12,202
Imports/exports of products	<u>1,561</u>	<u>3,882</u>	<u>+ 2,322</u>
	13,763	3,882	- 9,881
<u>1980</u>			
Purchase of crude	17,315	--	- 17,315
Imports/exports of products	<u>3,938</u>	<u>3,680</u>	<u>- 258</u>
	21,253	3,680	- 17,573

6. Market Proportions

The participation by the various categories of operators in coverage of the market underwent a further modification in 1980, albeit a less accentuated one than in 1979.

In particular, the tendency to strengthening of the role of the public-group firms continued, now reaching 40 percent, to which there corresponded a further considerable contraction of the independent operators, while the multinationals substantially matched the contribution they made in 1979.

Furthermore, the considerable increase in imports of finished products is evidenced by the important role taken on in 1980 by the independent importers, among whom the direct users, ENEL in particular, are taking a bigger place.

Market Proportions, in Sales of Products to the Domestic Market

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1st Qtr 1981</u>
Public enterprises	32.0	37.5	39.5	40.0
Private enterprises:				
-multinationals	38.0	37.5	37.5	37.0
-independent nationals	27.0	22.0	17.0	13.0
-importers	<u>3.0</u>	<u>3.0</u>	<u>6.0</u>	<u>10.0</u>
	100.0	100.0	100.0	100.00

Regarding the growth of the public sector, it should be noted that there was once again an indirect influence on it from the penalizing price policy, the effects of which hit the independent operators first of all (because of their lower capacity for resistance), but also the overall economy of the country, because of the higher cost of access to crude for the public operator as compared with the cost encountered, on the average, by the firms of the private sector.

It should also be noted that the bigger position taken on by the public firms constitutes an element that could in substance enfeeble the pluralistic posture of the oil market, inasmuch as the behavior of such firms seems so far to be inspired by the principles of economic and market logic [as published].

7. Price Policy

The first year of application of the Method for determination of petroleum-product prices, formally approved by CIP order No 8 of 19 March 1980, closed with a substantially negative balance.

The positive judgment of the new system by the operators, both as an instrument capable of making possible a balancing of the firms' economic accounts and as an expression of the government's desire to put into operation a more realistic and flexible oil-price policy, has not been confirmed by events; and this is because of the methodological limitations built into the system, but especially because of the persistent tendency to disregard the precise deadlines provided for by the system and to apply the existing provisions in a restrictive and penalizing manner. In other terms, the objectives which the new Method explicitly set itself to achieve, and in particular, the commitment to assure the national operators of conditions of parity with the European average, have not come about, and the old system of approximation, of discretionality, of decisions always made seriously late, that have for years poisoned the atmosphere of the relations between the operators and the authorities and that have so far led several international groups to abandon the Italian market and others to reduce their degree of participation in it, has come back to life. Yet the conditions for a decisive change of approach had matured: at the end of 1979, the inadequacy of the old Method (based on historical costs) to meet the double requirement of regular supplying of the country and of the maintenance of a well-articulated and sound petroleum industry within the changed framework of the oil market as a result of the Iranian revolution had led the government to recognize the necessity of ensuring to the Italian firms conditions of compensation consistent with the dynamic of the costs and with the markets of the other consumer countries. The abovementioned CIP order No 8/1980 affirms, in its preamble, that petroleum-product price policy must, among other things, "contribute to guaranteeing the normality of the country's oil supplies in the short term as well as in the medium term through achievement and maintenance of a situation of equilibrium between the conditions acknowledged to our country's operators and those that can be found in the principal European countries," and "maintain a plurality of operators so as to seek a higher degree of security and economy in the supplies and distribution of petroleum products."

The CIPE decision of 28 December 1979 that dictated the basic principles of the new methodology specified, in turn, that "the new criteria for the fixing of the prices of petroleum products in our country must refer to the level and to the dynamic both of the national costs of importation of the raw material and of the average ex-refinery revenues effective in the principal European countries, with the specific characteristics of our market taken into account." Nor was the process of review of the system for determination of petroleum prices to be considered closed in that way, inasmuch as the government's manifest objective at the time of approval of the Method, and as subsequently reaffirmed also in the draft of the new National Energy Plan, is the gradual extension of the oversight system to the products still administered by the CIP, starting with gas-oil and the other medium-weight distillates.

Such approaches and, especially, the promised prospect of extension of the oversight system underlay a greater faith in the outlooks for the sector shown by the private

oil firms and especially the multinationals. In the course of 1980 this faith was expressed, among other ways, in the decision by several important groups to reenter the Italian market or expand their presence in it, or in the resumption of investment programs for productive upgrading of the industry both on the level of greater energy economy in production processes and on the level of production adaptation to the objective of flexibility of supply and the obtaining of maximum value from the raw material.

But as mentioned above, these expectations have been frustrated. What has in fact occurred is:

--the systematic delay, averaging 30 days beyond the deadlines fixed by the Method, in the CIP's adjustment of the prices;

--the adoption, for the purposes of comparison between the Italian situation and the average European situation, of criteria that do not take into account the differing structures of the yields and markets and of the resultant impossibility for the Italian operator of achieving, even at parity of prices, the same revenues as the European operator;

--the margins of tolerance (4 percent provided for by the same Method for determination of the domestic prices of the European reference points, which in times of rising costs and prices have constituted a further factor of delay, not compensable by moments [as published] characterized by opposite tendency; they have made entirely theoretical the principle of alignment with European revenues. In fact, in the period 1 January 1980 to 31 March 1981 the revenues of the Italian oil industry proved, on the average, lower than the European revenues by about 14 lire per kg for gasolines and 9 lire per kg for gas-oil, with total lower recovery of about 400 billion lire for the price-administered products.

Except for an initial partial identification in December 1979, application of the clause on revision of prices in function of the variations in the cost of crude has also been lacking. This clause was put into the Method both to make possible a balancing between Italian and European revenues in periods of accentuated dynamics of crude prices and by the presumed logic that coverage of the costs of raw-material supply constitutes the essential condition for guaranteeing the regularity of the country's supplies. This despite the fact that the price increases at the place of origin and the deterioration of the lira-dollar exchange rate produced, in the final months of 1980 and the first part of 1981, big increases in the costs of importation of crude, increases that made the costs-to-revenues ratio a very difficult one for all the firms and especially for those--the majority--that are forced to obtain their supplies of crude at higher prices.

In an attempt to explain the failure to apply the aforesaid provision, there has been talk of presumed uncertainties of interpretation that do not appear to be consistent with either the letter or the spirit of the order, which has led a great many firms to have recourse, in this regard, to the organs of administrative justice.

Uncertainties as to mode of interpretation of the norms have also been cited in an attempt to explain the failure to apply another provision of the Method that provides for the possibility of taking into consideration list prices of the products subject to oversight, and principally the list prices of heavy fuel oil, which are higher than the European average, if the operators requesting this document higher overall costs; but none of the requests presented by the firms was taken under consideration by the Administration.

Whatever the legal importance of such uncertainties may be, it should be noted in any case that they are always resolved to the detriment of the operators, suggesting, more than an episodic haphazardness, a tendency to apply petroleum-price policy constantly in a taxing and penalizing manner.

A more recent example is the failure to adhere to the 31 March 1981 deadline, the date on which, by the terms of the Method, the CIP was supposed to have carried out a realignment of Italian revenues with the European average and an adjustment of the distribution and financial costs. The government's decision to postpone this provision while waiting for the definition of anti-inflationary measures represents--in addition to being without justification on the level of economic logic (inasmuch as about 95 percent of oil costs are tied to factors outside the economy)--the patent omission of a dutybound act, inasmuch as it follows from commitments legally taken on with the introduction of the Method.

This decision is all the more serious and disturbing because it was taken in the knowledge that just the widening gap between the dollar and the lira was entailing average raw-material cost increases of more than 13 percent vis-a-vis the cost recognized in the prices in force--a value that subsequently went up further in parallel with the further progressive deterioration of the lira in relation to the dollar--the currency in which, as is known, the contracts for purchase of crude are made. Such episodes result in loss of credibility and trust of the Administration with the operators, on the supposition that they are not the result of deliberate decisions, that would have the sole effect of further reducing the space held in the petroleum sector by private industry and of compromising the pluralistic character of the market, the adoption of instruments that would make it possible to overcome the rigidities connected with a price maneuvering that requires, first, complex bureaucratic-administrative verifications, and secondly, collegial decisions by the government, is set as a necessity on which there can be no further procrastination [as published].

In other words, the problem is not so much one of method as of timeliness and concreteness in the application of it.

This could be done, without substantial modification of the criteria on which it is based and of the objectives of the discipline in force, by a gradual transition to the oversight system for the products still price-administered, in accordance with the approaches already expressed by the government in its turn, maintaining, as the upper limit of the price subject to oversight, the average of the European revenues, with a formula that would permit recovery of eventual major increases in the cost of crude and with the improvements suggested by experience. Oversight does not mean absence of controls on the part of the authorities and therefore the possibility of speculative phenomena to the injury of the consumer, because underlying oversight is the principle that "silence equals assent" by the Public Administration.

In this regard it should also be pointed out that the proposals advanced by the Petroleum Union and by the public industry, based on the experience so far digested with the oversight of fuel oil and of other products mainly for industrial use, envision a system that in comparison with the one in force has the sole big advantage of making more timely those very variations that the Method already provides for today.

The oversight system, worked out on the basis of the requirements of the consumer, the other categories of operators and the Public administration as well as those of the sector, would prove suitable for:

- (a) preventing eventual phenomena of market disorder in the final-distribution phase, in which thousands of small operators (wholesalers and managers) are involved;
- (b) maintaining the present structure based on single national prices for the fuels sold through the street stations (gasolines, gas-oils, gpl [expansion unknown] and articulated by province as regards the products for heating;
- (c) keeping the structures of the CIP and of the CPP's [expansion unknown] from being weighted down with new burdens and responsibilities.

8. The Problems of Refining

(a) Processing for Foreign Customers

In 1980, processing of crude for foreign customers showed a strongly negative trend, going from the 19.5 million tons of 1979 to 11.8 million tons--a decrease of 40 per cent.

The concerns about the consequences induced by such a situation, one that threatens to transform the crisis from a situational one into a structural one, with heavy repercussions for the firms operating in this sector and with obvious effects on the country's economy, which has until now always been able to count on a sure contribution from such activities in the form of foreign-exchange revenue and on other benefits of no small importance, therefore prove to be well-founded.

In this regard, particular consideration should be given to the contribution made by such processing to maintenance of the refining installations, which for some time have been characterized by a downward tendency, and to the risk that a further reduction of orders by foreign customers might accentuate this phenomenon--not to overlook the effect that the growing competitiveness of similar foreign industry in recent years has had in this regard.

In this situation it appears indispensable for the competent authorities to adopt adequate strategies capable of protecting the sector and avoiding the destruction of work possibilities, sizable investments and entrepreneurial capacities.

For this purpose, there should in the first place be a correction of those policy approaches that so far have created obstacles to processing for foreign customers. In particular, they necessitate clear and committing measures that would create the conditions for development free of impediments of various kinds (not least, those of a bureaucratic-administrative character that make the issuance of the necessary ministerial authorizations difficult), so that the national operators are not placed in conditions of competitive inferiority vis-a-vis other countries, and for so long as there continues to be an abundance of refining capacity in all the important geographical areas.

(b) The Obligatory Reserves

The sharp reduction of the refineries' activity and the concomitant growth of the contribution of finished-product imports to coverage of domestic needs in recent years brought to the forefront, at the beginning of 1981, the problem of the obligatory oil reserves, as a result of the approval by the Parliament of Law No 22 of 10 February 1981, which provided for increasing the aforesaid reserves to 100 days' consumption, as well as the setting-up of a strategic reserve, financed by the state.

Raffinerie a ciclo completo (1)



Key:

1. Complete-Cycle Refineries
2. Refineries
3. Localities
4. Certified capacity as of 1 January 1981
(1,000's of tons per year)
5. Other minor refineries
6. Total
7. Capacity not used
8. Capacity used

Moreover, the law has not confronted the burdensome economic consequences of the new provisions on the operators, or the more general problem of a revision of the criterion for distribution of the reserves, a criterion so far stipulated in such a way as to burden essentially the refining firms.

It is estimated that if the present criteria were to continue in force, the refineries operating today would within a year have to increase the obligatory reserves overall by 4.5 to 5 million tons--an increase of about 30 percent.

The magnitude of such an increase obviously poses enormous problems, difficult to solve, of an economic and financial nature, of a logistical nature, of times. This makes more urgent the necessity to effect a substantial modification of the system in force, by a more equitable and therefore more appreciable involvement of the importers, as a condition for not jeopardizing the firms' very ability to function on the production and distribution levels, and therefore their capacity to continue to supply the market regularly.

To this end, the solution that in prospect appears most suitable for giving the matter a clear and stable framework is the creation of an agency under public control, analogous to the organisms already operating in other European countries (such as the FRG, Switzerland, Denmark, etc), to which would be assigned the maintenance and management of the total of reserves that exceeds the proportion that the refining and distribution system would continue to maintain in line with its operational requirements. Nor would such a solution entail additional costs for collectivities, inasmuch as it could be financed by use of the component recognized by the CIP, in the final selling prices of the petroleum products, as corresponding to the reserve burdens, with the timeliness necessary to guarantee recovery of the burden actually sustained.

However, the inevitably long times needed for such a solution necessitate actions capable of making an immediate response to the present problems. In this regard, action aimed at achieving a more equitable distribution of the reserves burden among the various categories of operators, in relation to their contribution to coverage of domestic demand, on the basis of which the reserves are proportioned, is deemed especially necessary.

In this framework, attention should be given in the first place to the importers, who, especially in the category of self-consumers, have taken on an important role and who today have a very modest share in the reserves obligation.

This extension is easily achievable on the normative level by making use of the instruments offered by the petroleum law of 1933 itself, RDL [Royal Decree Law] No 1741; or alternatively, by setting up an equalization fund for the purpose that would redistribute, among the entities actually obliged to hold reserves, the equivalent of the reserve burden recognized in the final selling prices of the petroleum products.

(c) Upgrading the Quality of the Refining System

The prospects of substantial stability in domestic oil demand in the future, the expected availability in the coming years of a proportion of finished products being supplied by producer countries, and the competition of other countries in the acquisition of processing work for foreign customers give good grounds for foreseeing that in the future, the average volume of primary processing work is destined to stabilize if not drop in relation to recent years. On the other hand, with the startup of the programs for greater use of coal and nuclear fuel, the country's future oil demand will be composed of an ever larger proportion of light products (gasolines) and medium distillates (gas-oils).

Refining Capacities	1979	1980
Percentage for public entities	21	21
Percentage for multinational companies	28	28
Percentage for national firms, independents, petrochemical firms	51	51
	100	100
Raw Material Processed (millions of tons)	118.4	97.4
--amount of this on behalf of foreign customers	20.4	13.3
Utilization of Refining Capacity		
Percentage for public entities	83	80
Percentage for multinational companies	66	66
Percentage for national firms, independents, petrochemical firms	57	40
Percentage for entire sector	66	56

It is therefore indispensable that in the Italian refining sector, as is also contemplated by the draft of the new National Energy Plan, the reconversion processes be urgently implemented that, in accordance with criteria of efficiency and productivity, will reduce the primary-distillation capacity and increase the conversion capacity.

A significant proportion of the sizable investments started, especially in the last year--other than those relating to the ever more rigid environmental restrictions and to containment of consumption--have indeed been aimed in that direction; but they do not seem sufficient to close the qualitative gap existing today between the Italian refining system and that of the other principal European countries, which results in economic penalization because of less value obtained from the raw material, and therefore less power of access to the raw material itself.

A disincentive in this regard consists in the structural incapacity so far demonstrated by the Italian price system to enable the firms to generate the self-financing margins needed for implementation of substantial investment programs.

9. The Problems of Distribution of Fuels

The necessity of more rational organization of the entire production cycle--a necessity imposed by the changes in the international oil picture--has meant for the distribution sector a different shape for the concept of "market presence." To the old criterion of "active economic presence," [as published] having as a corollary the startup of processes for rationalization and restructuring of the distribution network, which, moreover, entail huge investments.

But in this last regard there has been a lack of the indispensable action by the government, both in providing the instruments and on the level of action by the regions, despite the clear directions pointed out both in the National Energy Plan of 1977 and in the DPCM [expansion unknown] 8 July 1977.

This inertia has indeed entailed the necessity of a postponement of the deadlines provided for by the aforesaid DPCM so as to permit at least a reinforcement of the approaches indicated in it.

The programmed closure and the related indemnification mechanism provided for the owners of plants with output of less than 100,000 liters in 1976, which represent the first concrete action, has also encountered such difficulties in its legislative journey that the order for it has not yet been approved by the government.

But elaboration of the regional plans, which are intended to contain the legislative and operational instruments for taking action in the distribution network, is proceeding expeditiously, thanks also to the carrying-out of the census of the network.

Regions such as Lombardia, Veneto, the Marche and Sicily and the provinces of Trento and Bolzano have already completed their plans are a good way along in preparation of them.

In this area, the Union has called attention to the essential lines of approach that the plans should contain--specifically:

--implementation of the first phase of restructuring indicated by the new National Energy Plan and taking the form of the closing-down of the plants with 1976 output of less than 100,000 liters, and resiting of the plants located in the historic centers in accordance with what is established by the urban-planning instruments for inderogable reasons of viability;

--liberalization of the operations in the remaining plants, by giving concrete incentives to concentration, in the form of special concessions of an economic-administrative nature.

The same uniformity of behavior should be adopted for discipline of the plants' operating hours, which at this time are extremely diversified throughout the national territory.

Lively arguments have arisen on the specifics of this subject, both because the existing norms are not easy to interpret clearly and because there is difficulty in reconciling the managers' request for a midweek closing of the plants with the interests of the user and the operational exigencies of the firms. The recent judgment by the TAR of Lazio confirming the obligation to follow the central directives in force has in this regard made a contribution to clarification in terms of competencies and scopes of management of the administrative functions delegated.

10. The Outlooks for the Future

In the coming years, an increase in the price of oil in real terms is considered an inevitable phenomenon destined to affect heavily the development of the economies of the industrialized countries. Energy efficiency will therefore become an important parameter of differentiation of relative international competitiveness.

The replacement of oil with other energy sources, principally coal and nuclear, and the increase in the quantity of product obtainable from a unit of energy will constitute primary objectives of the energy policies of the industrialized countries.

--The National Energy Plan

These approaches are strongly present in the draft of the new National Energy Plan worked out by the Ministry of Industry in 1980 and now on the point of being officially finalized.

Estimate of Fuel-Distribution Stations as of 31 December 1980

	Number of existing stations (a)	Number of stations with 1976 output of less than 100 m ³ (b)	Percentage ratio of b to a
Piemonte	3,774	400	10.6
Valle Aosta	117	3	2.6
Liguria	1,068	60	5.6
Lombardia	6,324	957	15.1
Trentino Alto Adige	692	45	6.5
Veneto	3,256	380	11.7
Friuli Venezia Giulia	931	140	15.0
Emilia Romagna	3,906	675	17.3
Toscana	2,771	220	7.9
Marche	1,546	402	26.0
Umbria	805	166	20.6
Lazio	3,400	235	6.9
Abruzzi	881	60	6.8
Molise	162	5	3.1
Campania	2,681	131	4.9
Puglia	1,930	193	10.0
Basilicata	277	17	6.1
Calabria	927	47	5.1
Sicily	2,435	180	7.4
Sardinia	719	30	4.2
Totals for Italy	38,602	4,346	11.3

The main approaches on which the document is based are fundamentally:

- (a) recourse to other sources (coal and nuclear) to limit the use of oil to the best quality of applications;
- (b) restructuring of the refining sector (so as to increase its conversion capacity) in order to increase the yields of the products (fuels, raw materials for the petrochemical industry, lubricants, etc) for which replacement by other sources is not envisionsable today;
- (c) measures to achieve an incisive energy-savings policy especially in the sectors (heating and small industry) that still offer a big potential for saving on consumption;
- (d) ensuring the maintenance of a plurality of operators in the market as a basic condition for increasing the security and economy of supplies;
- (e) a price system which through a "supervised liberalization" is to provide for automatic adjustment of domestic prices to international prices, and therefore, as in the other European countries, the "valorization of crude, with delays and uncertainties."

Along with such approaches, that indubitably are to be judged positively, it should be pointed out critically that the following do not appear entirely consistent with the principle of maintaining the plurality of operators:

- (a) the absence of any political indication relative to the role of the independent firms;
- (b) the assignment to the ENI of the task of supply 50 percent of ENEL's expected need for coal--a measure that constitutes an element of uncertainty to the extent that it entails a revision of the programs of private operators (for some time committed to development of mines in various geographical areas of the world).

11. Energy-Saving

Even though the level of per-capita energy consumption in Italy is one of the lowest among the industrialized countries, the prospects of growing cost of energy sources, and of oil in particular, make indispensable a serious energy-savings policy that will make it possible to achieve more considerable results than those so far reached. Until now, in fact, the major saving has been obtained through the users' spontaneous reaction to the increases in the price of energy.

In addition to the results achieved in the sector of private consumption, there should be cited in particular the initiatives taken in certain industrial sectors, starting with the oil-refining sector, in which optimizations of the energy processes have been realized, with fuel economies that have repaid the cost of the investments for them in short times.

More could have been achieved with adequate legislative action that has so far been lacking. The facts are that:

- the measure regarding the hour blocks for heating, adopted on the occasion of the oil crisis of 1979, was approved, with limited force, only in the 1979-1980 season, and only at the end of the 1980-1981 season was it introduced in a definitive way;
- the measure for containment of energy consumption, the development of renewable sources and the operation of the electric-power plants using fuels other than the hydrocarbons, after approval by the Senate, is still under examination by the Industry Committee of the Chamber of Deputies;
- the "energy project," which, within the framework of Law 675 for industrial reconversion, provides for a complex of incentives for rationalization and development of alternative sources in industry, has been shelved for some time, and one does not know whether or when it may be revived.

In any case, it is to be hoped that approval of the National Energy Plan, which rightly devotes considerable space to energy-saving policy, will coincide with a revival of concrete initiatives in this field; inertia would indeed result in a further loss of competitiveness by the Italian economic system vis-a-vis those of the other industrialized countries.

12. Specific Problems

(a) Taxation

Tax Yield

The tax incidence on petroleum products continued to increase, in the course of 1980 also, with a progression that confirms the position of absolute preeminence of this category among all the indirect taxes.

According to preliminary evaluations, the total yield just from the fabrication tax on mineral oils and GPL [expansion unknown] was about 6.8 trillion lire, as against about 6 trillion in 1979.

This result confirms the now consolidated governmental propensity to give priority to use of tax maneuvers on the most commonly consumed petroleum products to cope with financial commitments connected with budget necessities, neglecting, among other things, the need for equalization among the various products.

Tax Burdens on Gasoline

Among the various products, the one on which the effect of such a policy as fallen once again proved to be gasoline, whose taxation level has now reached a value not found in any other European country.

With DL [Decree-Law] No 827 of 11 December 1980, which provided for an increase in the fabrication tax, the total tax burden on gasolines reached at year's end the maximum level of 550.19 lire per liter, which corresponds to 64.7 percent of the selling price of the product. This level subsequently dropped to 527.19 lire per liter with the partial defiscalization measure of mid-January 1981, and then went back up to 530.24 lire per liter as a result of the IVA [Value-Added Tax] established by CIP order No 11 of 27 February 1981.

The present incidence is 534.82 lire per liter--59.4 percent of the consumer price.

Taxation of Petroleum Products

Such high tax rates are an obvious stimulus to evasion by dishonest operators, as is evidenced by several episodes that came to light during 1980. There is therefore an increasingly urgent necessity to modify for that purpose also the arrangement that presently governs the taxation on mineral oils. It is still tied today to a basic set of norms that appears anachronistic and outmoded, going back to 1939 and never effectively adjusted to the real industrial and commercial necessities.

Simplifying and adjusting the taxation arrangement is important, for reducing the illicit area to the minimum and avoiding unnecessary control burdens and restrictions on industry. This will also be advantageous to the image of a sector on which the effects of episodic events have a negative impact--events that are episodic but also important by virtue of the magnitude of the figures involved and which, by confusion of terms, lack of information or captious obfuscation lead even that vast majority of operators who act with maximum correctness in adherence to the law to make wrong judgments.

Over time, the Administration has in fact had recourse to partial adjustments due to situational impulses and especially to requests by the operator categories involved, but without ever tackling a structural overhaul.

By following the "buffer"-interval policy rather than a policy of radical transformation of the system, measures have also been adopted in recent times that limit the firms' operational capacity and that have indiscriminately penalized the industry, but without increasing the degree of fiscal security.

This does not seem to be the most productive way to ensure respect for regularity of operations: in the field of taxation, the policy to be pursued for the most useful outcomes is always that which is based on a coordinated precautionary approach--a result that can be achieved only by renouncing complex and outdated schemes and super-structures.

In this context, the government's recent initiative to study a possible revision of the entire system of petroleum-product taxation, for which the Union too has been called on to offer its contribution of experience and collaboration, should be judged favorably.

It is to be hoped that the occasion will make it possible to achieve solutions that will temper the Administration's expectations for an adequate oversight of the taxation requirements and those of the operators, to be able to count on procedures and institutions that would not create superfluous burdens and obstacles.

There is an equally lively hope that the implementation of reform will come within the framework of the process of Community harmonization, to which a Commission report to the Council of the EEC also devoted considerable attention recently, dealing with the outlooks for convergence of the taxation systems in the Community.

The Commission itself has urged at least the unification of the structures in terms of consumer taxation. This is an invitation which it is hoped our country will accept, thereby achieving, for the national industry, operating conditions analogous to those in effect in the other countries of the Community.

Special Concessions for Foreign Tourists

In the framework of the preliminary studies carried out, by ministerial efforts, for overall reform of the mineral-oil taxation system, the idea of concentrating taxation on automotive gasolines only, with concomitant elimination of the special tax concessions in effect for motor fuels, seems a positive one.

From this angle, the initiative for renewal of the reduced-tax gasoline coupons in favor of foreign tourists has caused perplexity.

The arguments presented in support of the reintroduction of that measure are based largely on the negative forecasts made in the hotel sector, showing a general drop in foreigners' reservations for the coming summer season.

The trend toward exhuming the abovementioned special-concession system, recently suspended after attentive consideration and evaluation of the implications that it entailed--which went from the establishment of an actual black market in the aforesaid coupons to a marked stimulation of abuses or forms of tax evasion of notable scope--has aroused negative reactions on the part of the Union and the station-managers' associations.

It has been pointed out by us that if it is so desired, other methods can be usefully employed to encourage foreign tourism--including, for drivers, free or reduced-price use of the toll highways--and that tourists from abroad should be offered new standards of quality in reception, together with rational utilization of the considerable resources in our country with regard to services, improvement of transportation, better use of particularly well-equipped tourist areas, etc.

(b) Transport

In 1980 there was a significant change in the climate of conflict and tension that had characterized the petroleum-product transport sector throughout 1979.

After a complex and difficult controversy with the professional carriers' associations, the definition of a methodology of rate calculation for transport of petroleum and chemical products, with regulation also of the criteria for application of them, was reached in May 1980, with the coordination and mediation of CONFINDUSTRIA and ratification by the Ministry of Transport.

This methodology responded positively in the first year of its application, even though considerable aggravations of an economic and administrative character hit the sector by the effect of the price-alignment mechanisms provided for in them.

The fact that this methodology has already been extended positively to other merchandise sectors confirms the position supported by CONFINDUSTRIA itself on several occasions that a satisfactory and durable regulation of tariffs is achievable through solutions identified by the parties involved and ratified by the competent administration.

(c) Technical Norms

In the field of technical norms of direct interest to the sector, appreciable results were achieved during 1980. In particular, the relations of collaboration maintained with the National Association for Combustion Control (ANCC) made it possible to make a substantial contribution to prearrangement of the regulatory controls related to discharge of dangerous fluids into the atmosphere from the safety valves of pressure vessels. This technical standard has filled in a regulatory gap in the prevention sector, even if, for the future, there are unknowns and uncertainties because of the abolition of the ANCC itself and of the ENPI [National Agency for the Prevention of Accidents], as provided for by the Health Law.

The delay in implementation of the Health Reform and the elements of confusion still existing with regard to the operational capacity of the replacement organs provided for by the same Reform present the risk, in fact, of jeopardizing the solution of the delicate problems connected with the preventive monitoring of the safety of the installations, problems so far tackled by simple postponements.

For such reasons, the Union, together with the other categories of industrialists concerned and with CONFINDUSTRIA, has worked actively to keep the patrimony of experience and knowledge acquired by the ANCC over a long period of time from being dispersed.

(d) Problems of the Environment

In the sector of safeguarding of the environment, significant progress has been achieved toward realization of the provisions for safeguarding waters from pollution, with the issuance of a series of provisions relative to special financial concessions, study and predisposition of the regional plans, the implementation of which takes on a fundamental role for restoration of the health of bodies of water.

This is true even though difficulties of a technical nature remain, which the Union, jointly with the other industrial categories, is working to solve, with the coordination of CONFINDUSTRIA.

As regards pollution of the atmosphere, the work in the Higher Institute of Health for definition of air-quality standards has been developed further, and a table with the limits for the most significant kinds of pollution has already been presented to the Ministry of Health. It is now necessary to go on to study of the feasibility criteria, so as to program with the gradual pace necessary the measures and action aimed at improvement of the quality of the atmosphere.

It will be possible for the Regions to play an important role in this field, on the supposition of actions based on scientific rigor that take particular account of the country's energy needs and compatibilities.

Still on the subject of prevention of atmospheric pollution, it should be noted that the attention devoted today to energy-saving and to correct exploitation of energy resources has made it possible to resolve in acceptable terms the problems connected with the reception of the EEC directive that establishes reduction of the lead in gasolines.

As the result of a detailed analysis carried out by CUNA [expansion unknown] on the energy implications connected with that order, it has been possible to contain the impact that reduction of lead to 0.4 gram per liter would have had on the production of gasolines, and there has been specified a positive solution that tempers the above-cited objective with the exigencies of the automotive and oil industries, concomitantly bringing the octane level of super gasoline to a value equal to 97 RON, in line with the average European value.

In the prospect of the further steps to be taken in this important sector, it should be said in general terms that solution of the problems deriving from protection of the environment cannot help but take into account both the technical times required for the adaptations in question and the profitability conditions necessary to the firms for financing the investments involved.

11267

CSO: 11267

SOVIET TRADE DELEGATION EXPECTED IN SEPTEMBER

Nicosia THE CYPRUS WEEKLY in English 17-23 Jul 81 p 3

[Text]

A delegation of top-ranking trade experts from the Soviet Union is due in Cyprus next September to further study the possibility of joint Cypro-Soviet industrial ventures for export, Soviet Trade representative Mr. Grant Grigorian told a press conference in Nicosia this week.

The Cypriot Minister of Commerce and Industry, Mr. Constantinos Kittis, has already discussed this during his recent visit to Moscow, where he had a number of meetings with state trade committees, Mr. Grigorian said.

Record

Throughout the past 20 years, trade and financial relations between Cyprus and the USSR have been based on bi-lateral agreements, the latest of which was signed in 1977 and is still in force.

During 1980 trade exchanges showed an increase of 24.3 percent, reaching the record figure of 61.5 million dollars (41.2 million dollars

imported into the island and 20.3 million dollars exported to the USSR). The Soviet Union, Mr. Grigorian said, imported from Cyprus goods which are difficult to dispose of on the international market such as zivania, raisins and wool. Other exports to the USSR include footwear and clothing, consumer goods and wine.

This year, the Soviets will import 6,200 tons of zivania 15,000 tons of ordinary wine and four million bottles of Muscat sweet wine.

According to a five-year agreement signed last April the Hellenic Chemical Industries will also export 35,000 tons of ammonia to the USSR.

Another agreement provided for the supply of 50,000 tons of Soviet crude oil to Cyprus, while at the same time the possibility of increasing the exports of Soviet oil to the island was discussed by Mr. Kittis in Moscow, and will be discussed further when the Soviet delegation arrives in Autumn, Mr. Grigorian said.

CSO: 4600/112

EMPLOYERS OPPOSE NATIONALIZATION

Nicosia CYPRUS MAIL in English 17 Jul 81 p 1

[Text]

THE Cyprus Employers' Federation have deplored the recent outcry by Akel and the Left-wing Peo trade unions for nationalisations.

«Far from leading to raising the standard of living, nationalisation will only mean reduction of the standards», the Federation said.

A statement from the Federation referred to the recent speech of Akel leader Mr Papaioannou who called for nationalisations in general and for the nationalisation of the oil importations, refining and marketing in particular.

The Federation points out that the Peo trade unions agreed with the remarks of the Minister of Commerce that the recent petrol price increases were justified in view of the higher price of crude and the rise in the dollar exchange parity.

«Since the increases were justified, why then is there such an emphatic demand about nationalisation?» the Federation asks.

Further the Federation disproves the allegations about any benefit from nationalisation either in the form of lower purchase price for crude or lower costs and lower profits since the government partakes in the purchase, controls costs and profits.

The Federation believes that the present system of government purchasing a considerable part of the required crude and the rest being provided by the companies is best especially in times of emergencies.

The Federation warns that the outcry about nationalisations and greater State intervention far from helping will cause harm if it acts as disincentive for investments which alone can guarantee progress and development and thereby rise in the standard of living.

CSO: 4600/112

SWEDISH TOURIST ARRIVALS

Nicosia THE CYPRUS WEEKLY in English 17-23 Jul 81 p 28

[Text]

There has been a tremendous increase in the number of Swedish visitors to the island this year, a Cyprus Tourism Organisation official said this week.

Arrivals from Sweden — mostly by chartered aircraft — during the first six months reached 28,000 an unprecedented 134 % increase over the figure (12,000) for the same period last year.

Sweden now holds the second place in the list of countries providing tourists to the island. The UK remains the biggest tourist market for Cyprus — some 50,000 holidaymakers arrived from Britain in the first half of this year. They represent 28 % of the total, as against 16 % for Sweden.

Lebanon, Greece and West Germany take third place, with about 13,000

tourists each (or 8 % of the total).

Smaller numbers of visitors came from Austria, Switzerland, Finland, the United States and Saudi Arabia.

The CTO official said Cyprus had 171,000 visitors during the January-June period, as against 139,000 in the same period last year, an increase of 22.5 %.

'If the present trend continues, the tourist traffic will have exceeded our target of a 15 % increase this year,' he told the Cyprus Weekly.

'Our hotels are already fully booked for the summer months, and there is every indication that the tourist boom will continue for the rest of the year.'

Figures for the first 12 days of July already show a 30 % increase over the corresponding period last year, he added.

CSO: 4600/112

INCREASE IN APRIL EXPORTS REPORTED

Nicosia THE CYPRUS WEEKLY in English 17-23 July 81 p 8

[Text]

Imports were down and exports shot up considerably in April, according to the monthly report issued by the government statistics Department.

Imports amounted to £33 m., down 14.7%, while exports rose to £20.4 m., up 31.7%.

As a result, the trade deficit narrowed from £23.3 m. in April 1980 to £12.6 m. in April this year.

Major export earners were potatoes (£4.8 m. as against £2.2 m. in April 1980), clothing (£2.8 m.), footwear (£1.2 m.), citrus fruit, alcoholic beverages, and packing containers of paper and asbestos.

During the month, the main market for the island's exports were the EEC countries and particularly the United Kingdom, which provided 48% of total export earnings.

The Arab countries occupied second place in importance, taking Cyprus products worth £7.2 m. or 40.6% of the total.

Domestic exports to the Eastern Trade Area accounted for £876,000 or 4.9% of the total.

Imports from the same area stood at £1.4 m. while imports from Arab countries were negligible as there were no shipments of oil during April.

Imports from the EEC countries come to 56.2% of the total and reached £18.5 m.

The report says the drop in petroleum imports in April was due to the fact that the island's needs were covered by the high importations of such products in March.

The main import items were consumer goods (£7 m.), transport equipment (nearly £3 m.) and capital goods (£2.8 m.).

The figures for the four-month period January to April were: Imports £156.1 m. (£145.7 m.), exports £64.8 m. (£54.3 m.) leaving a trade deficit of £91.3 m. about the same as last year.

Asbestos Exports

Cyprus exported nearly 160,400 tons of minerals last year, valued at £7.7 million, as against 230,500 tons worth £8.2 m. in 1979.

Mineral exports represented 4.1% of domestic exports while five years ago they accounted for over 10% of total exports.

The annual report issued by Senior Mines Officer Mr Giafkos Kronides says the most important mining products shipped abroad last

year were asbestos, cupreous concentrates, iron pyrites and chrome concentrates.

Important

Asbestos is now by far the most important mineral export. The report says that 30,686 metric tons were shipped to over 16 countries, with the largest quantities going to the UK, Greece, Thailand, Spain, Ireland, Italy and Belgium. The value of asbestos exports reached £4.6 m.

The volume of iron pyrites dropped to 88,000 tons (valued at £1.1 m) about half the amount shipped abroad in 1977.

And there were only 812 tons of cupreous concentrates (valued at £112,600) as

against more than 30,000 tons in 1977, showing the almost complete depletion of copper mines.

One item that is on the increase is bentonite — nearly 23,000 tons were exported last year as against 3,333 tons in 1977.

No new mining leases were issued during the year, but there were 112 quarry licences. At the close of the year, there were 16 mining leases and 278 quarry licences in force. There were also 59 prospecting permits.

The production of building materials was stepped up, and among other things, quarry operations produced 100,000 tons of building stone, 14,000 tons of lime, 17,800 tons of gypsum, 4.2 m. tons of sand and aggregate, and 66,200 tons of marble.

CSO: 4600/111

SWITCH FROM MILS TO CENTS PLANNED

Nicosia THE CYPRUS WEEKLY in English 17-23 Jul 81 pp 1-28

[Text]

The currency of Cyprus is to be changed in the next year or two, with the present mils system being replaced by cents.

A Central Bank official told the Cyprus Weekly the switch should be completed by 1983 when the new coins are expected to be put into circulation.

The main departure from the present system will be the fact that the Cyprus pound will be divided into 100 cents instead of 1,000 mils as at present.

Smallest

There will be coins for one-half cent, one cent, two cents, five cents, 10 and 50 cents. "Later we will have a £1 coin as well", he said.

In fact the new 5 mils coin due to be put in circulation next month is the same size and shape as the future half-cent coin, which will be the smallest unit in the future system.

Monetary circles are still sceptical about the choice of cents. They say perhaps a better idea would have been to bring back the more familiar name of "groshia" (piastres), since many people in Cyprus still refer to the 5 mil copper coin as "grossi" or "piastre".

The copper coin will be gradually phased out. About five million of the new coins (made of aluminium alloy) will be arriving in Cyprus soon from Canada, where they were minted, and will be put in circulation immediately.

The new coins are much smaller, lighter, and less expensive than the copper-made ones.

A Central Bank official said: "The five mil coins cost 15 mils to produce, three times their nominal value. The new coins will cost approximately the same as the value shown on them".

Design

The new coin is almost the same size as the existing 25 mil coin. But it is 12-sided and has a plain edge. It has a diameter of 20 millimetres and weighs 1.25 grams.

The designs on it are similar to those on the present copper coin — the ancient ship on the reverse side and the emblem of the Cyprus Republic on the obverse with the word "Cyprus" in Greek, Turkish and English and the year of issue (1981).

The existing 5-mil coins will continue to be legal tender and remain in circulation until further notice.

PSF MODERATES TO TAKE CHARGE OF NATIONALIZATIONS

Paris L'USINE NOUVELLE in French 2 Jul 81 pp 33-34

[Article by Alain Pauche: "Nationalizations: Entrusted to the Moderates"]

[Text] The present philosophy of the government regarding nationalizations is "not right away and not at any price." However, the new government will soon have to disclose its industrial plan if it wants to encourage company officers to increase economic activity.

By creating a Secretariat for the Extension of the Public Sector, the president of the republic and the prime minister have set the nationalization clock back to zero...A clock which had been picking up speed since Pierre Joxe, minister of Industry in the former administration, entrusted Jacques Piette with a study project on 2 June.

Jean Le Garrec, 52, longstanding colleague of Pierre Mauroy and a former manager at IBM, has the task of assuring, in his own words, "the necessary initiative and coordination for studying and proposing nationalizations."

Pierre Mauroy is pursuing two goals: 1) to put a stop to the whims of the supporters of immediate nationalizations (Pierre Joxe was among them, but it appears that this pressure group is diminishing, while the "reformists" Delors, Rocard, and Dreyfus are gaining strength); 2) to put an end to the rumors on the number and types of industrial firms slated to be nationalized. Jean Le Garrec must work closely with the prime minister, as well as with the ministries of Economy (Delors), Industry (Dreyfus), Planning (Rocard), and the "technicians" such as Georges Lemoine, secretary of state for National Defense, appointed to evaluate the impact of nationalizing Dassault and the armaments branch of Matra.

These two goals, which seem within the reach of the prime minister, will nonetheless be difficult to achieve. The nomination of Jean Le Garrec puts an end to Jacques Piette's project and its administrative work will now be taken up by the secretariat of state, but it does not reconcile all the socialist trends and party delegates represented in the government. The general policy speech with Pierre Mauroy will give at the beginning of next week should detail the administration's intentions. He will recall that, as stated in the 23 June text of agreement between the PS and PC, nationalization will involve 11 companies (actually 12, since Usinor and Sacilor were counted as one!) and "only 11," as well as the banks and insurance.

The eleven are: Dassault, Matra Armaments, Thomson, CGE [General Electricity Company], ITT France, SGPM [Saint Gobain Pont a Moussel], CII-HB [CII-Honeywell Bull], PUK [Pechiney-Ugine-Kuhlmann], Rhone-Poulenc, Roussel-Uclaf, Usinor and Sacilor.

Hopefully the prime minister, who henceforth has the upper hand on nationalizations, can dust off and define the terms of the "presidential candidate's contract" on the matter. But will the administration be able to remain in the vagueness that Jean Garrec's task force could jealously prolong until the debate on the first nationalization plans opens in Parliament this fall? Can he gloss over the debate on the nationalizations of Paribas and Suez (although bank activities are targeted, holdings including industrial participation won't be)?

The government in fact has no other way out than to make public very soon its project for industry if it wants to bolster the economy and encourage industrialists to invest. Without forgetting that the goals of industrial policy (recapturing the domestic market, technological independence, sector by sector policies), raise a dual problem within the framework of the extension of the public industrial sector: that of reorganizing sectors in order to reestablish a network system--baptismal name given by the socialists to German and Japanese style vertical integration--as well as that of determining the relationship between public firms and the state.

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CSO: 3100/838

NATIONALIZATION COMPENSATION SEEN PRESENTING PROBLEMS

Paris LE MATIN in French 8 Jul 81 p 4

[Article by D. Pg.: "Indemnities: Between Robbing the Stockholders and Aggravating the Budget Deficit"]

[Text] Seventy billion francs is the amount of stock in banks and firms which will be nationalized in the next 7 years. To avoid having to reimburse such a sum, socialist experts are studying ways to avoid cheating the stockholders, and at the same time not burden the public budget.

"The principles of indemnification of stockholders will evidently uphold the Constitution, which calls for a just and prior compensation."

This was candidate Francois Mitterrand's viewpoint during the presidential election campaign. Now that it is time to put his proposals into action, however, the new administration has not taken any precise measures which will avoid cheating the owners of nationalized firms.

At most, reference can be made to the debate on indemnification procedures foreseen by the Common Program, which pitted the Communist Party against the Socialist Party during the summer of 1977. At the time, the communists particularly proposed to give stockholders 20 year depreciable bonds equal to the overall amount of the average value of stock of the firms in question over the last three years. What would the cost to the state be for such a transaction? The equivalent, each year, of 1 percent of the budget. Leftist radicals were not opposed to such a solution.

On the other hand, the socialists thought this was a costly and "anti-economic" solution.

Two other methods were then advanced. The first consisted of transforming state claims on certain nationalizable firms into capital participation. In several cases this would result in a net nationalization--with a large majority of public capital--without spending a penny.

This was the route taken by Raymond Barre's administration at the time of the government takeover of the steel industry in 1978. It could still be applied today to arms or Dassault-Breguet.

The second method foreseen by the socialists is that of "participatory bonds". It would result in replacing the stock of nationalized firms' owners with securities which would entitle the bearer to a fixed remuneration complemented by a sharing in the firms' profits, but without the right to vote. The advantage of this method would be to avoid the cost of reimbursement and assure stockholders that nationalized firms, like other companies, are supposed to be profitable.

During the election campaign, the Communist Party and the Socialist Party did not take an official position on indemnification. To the short sentence in the Communist Party's 131 proposals: "Indemnification should be reserved for small stockholders", the socialist party's 110 goals responded with silence. The two parties probably did not want to take up again a complex debate which was one of the factors in the left's September 1977 split.

However, socialist experts have nonetheless been thinking about this problem, and at the present time a plan seems to be emerging which would avoid cheating the owners of nationalizable firms. In the banks, stock would be exchanged for guaranteed dividend certificates. The profits of this sector would easily allow the use of dividends and would exempt the state from payment. For industrial firms, stock would be exchanged for a variable income certificate, indexed to prior dividends and prices. Within this framework different methods would be applied to each firm according to its individual characteristics. In all, the cost of indemnification to the state--the certificates would not be depreciable --would not exceed its dividends in its new position as owner.

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CSO: 3100/837

NATIONALIZATION BUT ONE ASPECT OF INDUSTRIAL POLICY

Paris LE MATIN in French 8 Jul 81 p 4

[Article by G. S.: "Nationalization But One Aspect of Industrial Policy"]

[Text] The administration will be obliged to define a reorganization "philosophy".

Nationalization cannot in any case take the place of an industrial policy; it is only one way of better implementing this policy. So, along with the nationalization process, the government will have to define a philosophy which will form the basis for the organization of the companies that come under state control.

The industrial policy that is dearest to the Socialist Party is the so-called network policy. Instead of considering different sectors and branches separate from one another, they are considered within a larger whole, including more specialized and less specialized companies. So it seems strange to offer solutions for the paper industry without taking into account the problems in wood pulp production and in forest management. Similarly, a machine tool plan cannot be formulated without considering the users of this equipment.

The nationalization of 11 industrial companies will necessarily involve a restructuring of 3 branches: arms, electronics and chemical products.

In the electronics field, the colloquium "Socialism and Industry" last October suggested that military electronics be given to Thomson-CSF; telecommunications and telematics to CIT-Alcatel (controlled by CGE [General Electricity Company]); large and medium scale data processing to CII-Honeywell Bull; space and rockets to Matra. However, the socialist experts even then realized that it would be "more difficult, either to appoint leaders for certain disputed specialities (for example, office automation or data bases and systems), or to find a company that would volunteer to take on the difficult areas (integrated circuits, medical electronics, appliances)". Since last October it seems that Thomson's household items, which it had been said would be excluded from nationalization, are once again included, because, since the development of telematics, the production of television tubes has become a strategic activity. On the other hand, the making of a single telephone pole is being reconsidered. It might be better, especially

as regards exports, to maintain two technological networks for telephone operations: CIT-Alcatel and Thomson-CSF.

In the chemical field, the nationalization of Rhone-Poulenc, Pechiney-Ugine-Kuhlmann and Roussel-Uclaf will considerably reinforce the public sector now composed of the petroleum companies CDF-Chemical and EMC. In the pharmaceutical field the plan for grouping together Sanofi, Roussel-Uclaf and the specialized division of Rhone-Poulenc is losing ground to the plan which aims to give each firm an autonomy similar to that of Renault's. In addition, plastics of low added value could be given to the petroleum companies and plastics of high added value to the petroleums (again) and to Rhone-Poulenc, while phytosanitation, as well as inks and colorings, would be given to CDF-Chemical. However, these are still just rough plans.

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CSO: 3100/837

TOTAL-CFP PURCHASE OF U.S. COAL COMPANY PROJECTED

Paris LE MATIN in French 8 Jul 81 p 40

[Article by Henri Lauret: "Coal: France Will Buy an Enormous American Deposit"]

[Text] Total is planning to take over Harbert's mining operations-- 600 million tons for \$300 million.

The French Petroleum Company (Total-CFP) will be able to get its hands on 600 million tons of coal deposits! The French petroleum group is planning to buy the mines and equipment of the American Firm Harbert (Birmingham, Alabama). It is rumored in government circles that the deal will cost \$300 million (1.7 billion francs). Although it is not on the same financial scale as the Elf-Texagulf transaction (14 billion francs), the CFP-Harbert project is no less gigantic. But how can it be financed in today's economic climate?

The CFP's draft agreement involves the purchase of the operations and coal fields of the Harbert Corporation. In circles close to the minister of Industry, it is estimated that the Birmingham (Alabama) firm's reserves are about 600 million tons, three quarters of which can be openmined in Kentucky. Current production is about 7 million tons per year, mostly for American use. Within the next 10 years, the CFP plans to increase extraction by 10 million tons per year. Thus, an approximately equal amount could be exported through the port of Savannah, Georgia.

This deal, which will cost Total \$300 million (1.7 billion francs) is advantageous for more than one reason. First of all, it shows the willingness of the French oil company (34 percent of whose capital is held by the state) to look, like ELF-Aquitaine, for ways of stabilizing its cash flow in the United States, a country rich in resources and politically stable. Last year, Total bought Vickers Petroleum for \$345 million. In addition, the company is developing its coal procurement strategy, which itself is part of a restructuration of the coal problem on a national level.

This foreign policy, which is related to the import problem, is not a ~~priority~~ contrary to the government's concept of an increase in domestic production, which reached almost 23 million tons in 1980. Last year South Africa furnished us with

with over 9 million tons from a total import of 32.8 MT. This is quite a bit from a country which, to put it mildly, does not exactly fit onto the list of favored trading partners of the socialists in power. West Germany provided us with 8 MT, but it will probably eventually reorient its policy to limit exports in order to favor domestic consumption. Poland is still confronted with production problems... among others. Last year Poland sold us 3.4 MT.

The reorientation of our procurement structure is strategically a definite priority now that there is to be an unprecedented use of coal. The French Coal Company should also soon be firming up similar plans in the United States. In circles close to the minister of the Economy, the Harbert project is considered an "excellent deal" from a financial viewpoint, despite the high price of the dollar. Specialists point out, among other things, that the price of coal should increase 30 to 40 percent in the near future.

The financing, however, has not been worked out. Despite the profits which were recorded in 1979-80, the CFP is currently losing a good deal of money in oil refining. More importantly, Jacques Delors; staff, although favorably inclined toward the transaction, has only given a preliminary agreement to a decision which flouts the sacrosanct principles of credit restraint.

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CSO: 3100/840

ARMAMENTS SALES TO CONTINUE UNDER NEW OFFICIAL

Paris LE MONDE in French 25 Jun 81 p 30

[Article by Jacques Isnard: "General Engineer Cauchie Replaces Gerard Hibon at the Head of International Arms Affairs"]

[Text] General Engineer First Class Marc Cauchie was appointed by the Cabinet on Wednesday 24 June to be director of international affairs to the general arms delegation, replacing Gerard Hibon who had held this position since April 1977. Within the Defense Ministry the director of international affairs deals with arms exports and military cooperation.

Marc Cauchie, 57, a graduate of Polytechnic School, was deputy director of international affairs from 1971 to 1979 before being appointed to direct the armaments section of the French delegation to the North Atlantic council. In 1977 during a colloquium of the Western European Union (WEU), he stated, "It is absolutely essential that the present capacity of European arms industries be maintained by sales outside Europe, including sales to the United States."

A Change in Policy, a Change in Officials

Argentina will receive from France its latest anti-submarine coastal fighting ship. Iran is waiting to receive, as soon as its financial dispute is settled, the three rapid patrol boats whose delivery was suspended. Libya hopes to obtain the first of ten missile launching boats that it ordered from France before Francois Mitterrand's election to the presidency.

Arms contracts concluded during Valery Giscard d'Estaing's presidency and stopped by Raymond Barre's government so that current orders could be filled are slowly beginning to be carried out once again in accordance with the commitment made by the prime minister, Pierre Mauroy, to honor France's trade agreements at the international level.

Sought after by the Italians, Israelis and West Germans, the Republic of South Africa nevertheless remains under French embargo. The Iraqis, Egyptians and Saudis are once again calling Paris' attention to the necessity of improving after-sales service of already sold French material.

However, certain foreign countries are convinced that discussions now underway with French industrialists will lead nowhere. Argentina and Chili, for example, were looking into the possibility of devising, on-site and under French license, infantry combat vehicles capable of being modified into armored anti-urban guerrilla tanks. In Chili's case it involves replacing as many as 700 tanks; Switzerland and West Germany have also made them offers. In Argentina's case there was the prospect of a tank market in competition with Austrian proposals.

The discovery of these deals in the files left by the former administration was precisely what prompted the new French political leaders to interrupt negotiations and, by placing partial or provisional embargos, to take the initiative of defining an arms sales policy more in line with long-term diplomatic policies.

This concern explains why Claude Cheysson, minister for Foreign Affairs, and the minister of Defense, Charles Hernu, have decided to meet periodically to align their positions.

Concurrently, high level officials who until now were responsible for French foreign trade in the armaments field are preparing to vacate their positions. With a change in policy, there is a change in officials.

The departure of Gerard Hibon, director of international affairs for the general arms delegation, is probably the most interesting to examine. For four years this diplomat, who negotiated in the name of the French government and who was appointed by Yvon Bourges, then minister of Defense, concluded each year contracts representing work for about 100,000 people and, with the help of 80 administrators, engineers and officers placed under him, signed 112 billion francs' worth of foreign orders for export since 1977.

Hibon's colleagues knew that his days at the general arms delegation were numbered. They remarked that their boss had not been received by Hernu for a month and that, for example, he did not participate in the 13 June talks in Paris between the French minister of Defense and his Saudi counterpart, Prince Sultan Abdel Aziz, with whom Hibon had concluded a naval contract for 14,400 million francs in October 1980.

After deciding to send the director of international affairs back to his original ministry (Quai d'Orsay), the cabinet chose a successor who should more accurately reflect the preferences expressed by Hernu at the recent Ground Weapons Exposition at Satory, where he favored an increased European cooperation by France in military affairs.

First priority, therefore, goes to cooperation rather than exports, but without letting the one replace the other, even if industrial cooperation is limited to European countries, such as the United Kingdom or West Germany, which are experiencing severe economic difficulties. This will be one of the themes of discussion at the next European summit at the end of the month in Bonn.

EFFECTS OF GENERAL DYNAMICS-AIRBUS ALLIANCE INDICATED

Paris LE MATIN in French 30 Jub 81 p 36

[Article by Jean-Gabriel Fredet]

[Text] An American aeronautics builder in the consortium charged with launching the Airbus A 320, "little brother" to the Airbus A 300 and A 310? It is becoming more and more likely. According to certain reports, General Dynamics, one of the top U. S. aircraft builders, is on the verge of assuming a major share (18 per-cent) in the program of the future short-medium-range airliner that is to enlarge the Airbus family.

The probable reason behind this surprising association: the development cost of the little Airbus, which is conservatively estimated to be at least Fr 6 billion. This represents a vast outlay of funds for France, Germany, England and Spain, the principal partners in the aeronautical consortium at present.

With the participation of General Dynamics to this extent, the project becomes financially credible. The total sales attained last year by the American aircraft builder came to \$21 billion, more than Fr 100 billion! It is reasonable to suppose from this that the builder of the F 16--the fighter plane that in 1977 won out over the Dassault company's Mirage F 1 for the "contract of the century"--is fully capable of carrying out its undertakings. Doing so in this case, General Dynamics, which is also a builder of American nuclear submarines, would be making a spectacular comeback in the civil aeronautics market--a market increasingly dominated, on the other side of the Atlantic, by the giant Boeing since Lockheed's virtual withdrawal from the medium-range airliner market and McDonnell Douglas's misfortunes with its DC 10.

For the Europeans, a General Dynamics underpinning is of twofold interest. Firstly, an American participation of this nature would be such as to enhance the little Airbus's prospects in the U.S. marketplace. Until now, in fact, and except for the precedent set by Eastern Airlines, the airlines on the other side of the Atlantic have preferred to buy American. And Boeing has had very little trouble locking up the market of the North American continent. The second advantage is the luring effect it would have. Faced as she is by the reluctance of certain airlines that are indispensable to the launching of a new plane (the head of Lufthansa has made no secret of his misgivings in regard to the A 320 project) and by budgetary problems on the part of the German and British governments, the American "card" should enable France to again rally her partners.

TEXT OF NATIONAL ACCORD ON EMPLOYMENT

Madrid GACETA SINDICAL in Spanish Jun 81 pp 45-50

[Text] I. Job Commitment

I.1. The government will, by virtue of this agreement, establish an economic policy to make effective its commitment to maintain the same overall wage-earning population as of the end of 1982 as is currently employed at the time of the signing of this agreement.

This commitment presumes the creation of an estimated 350,000 new job opportunities for the purpose of compensating for the possible drop in employment during this period.

II. Wage Increases in 1982

II.1. Wage Growth Range

The CEOE [Spanish Confederation of Employers Organizations] and the trade union confederations signing this agreement have determined that the wage increases to be implemented in the collective agreements to be negotiated during 1982 will be established between a minimum of 9 percent and a maximum of 11 percent, in accordance with the conditions to be specified below.

II.2. Conditions of Implementation

1. For the negotiations within the wage range specified in II.1 in the contracts effective for more than a year, agreement will be reached. For the other contracts affected by this agreement, factors such as the economic situation of the enterprise, jobs created, the collective contracts in effect, and also the application of the overall agreement on productivity and absenteeism set forth in the Interconfederal Agreement Framework will be taken into account.

2. The established percentage will be applied proportionally, with exceptional situations being referred for analysis to the parity committee or bodies which may be established pursuant to this agreement.

For this purpose, such increases will be applied to all categories which have been used for compensatory purposes in the wage models (wage volumes, wage tables, real wages, etc) in the various collective contracting units affected by this agreement. The amendments to which the parties freely agree will constitute exceptions on this point.

The provisions of the preceding paragraph will not apply to commissions on sales or any other employee compensation of a similar nature linked to calculation elements which vary.

3. The wage increase percentages established in paragraph II.1 will not be required or necessarily applied to those enterprises which can objectively and concretely prove situations of deficit or loss maintained throughout the 1980 and 1981 fiscal periods. Furthermore, the figures drafted for 1982 will be taken into account.

In these cases, the establishment of the wage increase will depend on the party. In assessing this situation, such circumstances as the inadequate level of production and sales will be taken into account and the figures provided by an audit of the enterprise, its balance sheets and earning statements.

In the event of disagreement on the interpretation of such data, reference can be made to auditors' reports, bearing in mind the circumstances and dimensions of the enterprise.

As a function of the unity of contracting in which they are involved, the enterprises claiming such circumstances must submit accurate documentation to the workers' representatives (balance sheets, earnings statements, and, if pertinent, auditors' reports) to justify differentiated wage treatment.

In this connection, in enterprises with fewer than 25 workers, and as a function of the economic costs this entails, the documents specified in the provisions of the preceding paragraphs or factual proof of a loss situation can be substituted for the auditors' reports.

The legal representatives of the workers are obliged to observe and maintain the greatest secrecy with regard to the data received and to which they have had access as a result of the provisions of the preceding paragraphs, and must therefore observe professional confidence with regard to all of this information.

II.3. Wage Revision Clause

In the event that the consumer price index established by the INEM [National Employment Institute] shows an increase of more than 6.09 percent as of 30 June 1982 over 31 December 1981, a wage revision will be carried out as soon as this circumstance is officially established in the amount above the indicated figure, with the excess computed at double in order to foresee the development of the IPC over a 12-month period as a whole (January-December 1982) with that same IPC, minus two points, as a maximum. This increase will be paid effective 1 January 1982, and for the purpose, the wages or tables used to carry out the increases agreed upon for 1982 will be taken as a reference.

This provision will be incorporated in all the contracts signed in 1982 or those which, although they will be in effect in 1982, still lack agreed wage conditions.

II.4. Compensation for Employees and Nonlabor Personnel Working for the State, the Autonomous and Social Security Bodies, Active or Retired

a. The rate of revision for basic and supplementary compensation for employees under the 1982 general state budget and the rate of revision for the compensation of

future, interim personnel and those hired on contracts under the administrative legal system under the general state budget for 1982 will be 8 percent plus 1 point based on productivity and standardization.

Distribution on the basis of this latter concept will be carried out after timely consultation and negotiation with the trade union organizations represented in the administration.

b. The rate of increase for pensions for retired personnel under the general state budget for 1982 will be 9 percent.

II.5. Wage Revision for State Public Service Enterprises

The rate of wage increase for state public service enterprises whose prices for rendering service or rates are fixed at a level below cost by the administration will be the same as those set forth in the general state budgets for the employees and nonlabor personnel employed by the administration, i.e. 9 percent. Furthermore, the wage revision provisions set forth in paragraph II.3 will be applicable.

II.6. Social Security Pensions

The rate of increase for pensions under the social security system will be 10 percent, it being understood that this is the percentage of increase on a standard 1981 base, in other words without taking the number of pensions into account.

The criteria for the distribution of this overall increase will be that used for the increase approved for 1981.

II.7. Minimum Wage

The interoccupational minimum wage will be revised in January of 1982, on the basis of the provisions of Article 27 of the Workers Statutes, and disregarding the provisions of paragraph II.1 of this agreement.

The minimum interoccupational wage for 1981 will be revised, effective 1 April.

II.8. Wage Criteria for Enterprises in Reconversion

The enterprises covered by reconversion plans already negotiated or which are negotiated and become effective during 1982 and include wage agreements for that year will be covered by the provisions for the wage revisions for 1982 or the provisions in the plans mentioned.

III. Unemployment Compensation

III.1. Supplementary Subsidy

Without prejudice to the rights which workers to which Article 25 of the Basic Employment Law may be entitled, in the course of the provisions of that law and the Unemployment Compensation Regulations approved by Royal Decree No 920/1981 on 24 April, the government undertakes to recognize and bring up to date the supplementary payments to all workers entitled thereto who have duly submitted the required formal documentation, within a period of two months.

For the purposes of the payment of the supplementary subsidy referred to in Article 25 of the Basic Employment Law, "family responsibilities" will be taken to mean responsibility for at least one family member on the part of the recipient, under the terms established in Article 20.5 of the regulation referred to.

This subsidy will have the maximum duration for which Article 26 of the Basic Employment Law Provides.

III.2. Special Aid Measures for the Unemployed

A. On an exceptional basis, a fund of 15 billion pesetas will be allocated for special and urgent payments in the realm of aid to the unemployed, financed 40 percent by government contributions and 60 percent by enterprise quota payments.

The special fund will have tripartite administration by a council to be designated by the INEM and which will be made up to the extent of one-third each by representatives of the CCOO and UGT, the CEOE and the government. The president of the council will be appointed by the minister of labor, with the right to cast the deciding vote. The council will draft its own operational regulations and the procedures to be followed. Because of its exceptional nature, this fund will cease to exist as of 31 December 1982.

B. Independent of the preceding and as a result of this agreement and on an exceptional basis, those workers who have exhausted the unemployment compensation regulated by Article 173.1.a of the amended text of the General Social Security Law, approved by Decree No 2075/1974 on 30 May, and meeting the requirements for workers to which Article 20.a of the Unemployment Compensation Regulations, will be entitled to the unemployment subsidy for which paragraph 1.a of Article 19 of said regulations provides to the extent set forth in section III.1. To this end, the requirements of item 2 in paragraph a of the Article 20 cited will be regarded as met by those who are registered as unemployed as of the time of the signing of this agreement. On an exceptional basis, this subsidy will be granted to those who do not meet this requirement but do meet all of the preceding ones, having established that they are out of work and have been seeking same at an employment office. The labor authorities will decide on each case separately on the basis of a report from the provincial commission of the INEM. Appeals against the decisions of these authorities will be settled on the basis of a report from the executive commission of the INEM.

Those workers who meet the requirements mentioned and who have exhausted compensation prior to the entry of the Basic Employment Law into effect will have further to meet the requirement of being registered as being unemployed for at least three months prior to the signing of this agreement.

III.3 Unemployment Insurance for Permanent Rural Workers

The signing parties agree on the need for the immediate promulgation of adequate norming to regulate the unemployment insurance system for permanent rural workers.

III.4. Community Employment and Aid for the Rural Unemployed

A. The signing parties to this agreement have studied the problems of various sorts posed by the current community employment system, and believe that reform of it and its eventual replacement by a more general and effective system for protecting unemployed farm workers are necessary.

The parties have also reached agreement on the essential need for prior clarification of any group to which the new system is to be applied, through the drafting of a farm worker census and a detailed and in-depth study of all the circumstances of all kinds which may affect the establishment and operation of the new system.

B. The government will raise the volume of funds allocated for community employment in 1981 to 20 billion, with a view to meeting the needs of the zones most affected by farm unemployment, particularly Andalucia and Extremadura.

C. It is believed that reform of the current community employment system is necessary on the basis of common criteria for the reform. The government undertakes to negotiate the modification of the system within the Interministerial Commission with a view to the execution of the unemployed farm worker census established by decree of the Council of Ministers dated 8 May 1981.

D. In any case, if agreement on the reform of the system has not been reached by 1 January 1982, the government will allocate the same quantities as provided for 1981 and described in paragraph B for 1982, in constant pesetas.

III.5. Medical-Pharmaceutical Allocations for Unemployed Persons Who Have Exhausted Unemployment Compensation

The necessary instructions will be issued within a period of one month to the INEM to clarify the provisions of the Unemployment Compensation Regulations, making it clear that the provisions of Article 36.2 thereof are applicable to all workers covered by Article 23, as beneficiaries of supplemental medical-pharmaceutical unemployment allocations.

III.6. Combating Fraud in the Collection of Unemployment Insurance

With a view to guaranteeing sufficient economic coverage to provide for the payment of unemployment allocations and subsidies, the signing parties agree on the need to wage a campaign against the various forms of fraud in the collection of unemployment insurance, making the steps necessary for its control more flexible. To this end, the INEM will develop and fully implement the criteria for action approved for the purpose by the general council of the institute. That council will oversee and assess the specific results of the control measures periodically, and must propose corrective measures.

III.7. Supervision and Revision of Unemployment Insurance

The general council of the INEM will analyze the development of the unemployment level quarterly, studying all the factors affecting said development. In the light of this knowledge, the changes in quotas necessary to guarantee the financing of unemployment insurance will be approved if necessary.

III.8. Adequate Job Offers

For the purposes of suspension of unemployment compensation payments (Article 22 of the Basic Employment Law), a proper occupational placement will be deemed rejected when:

- a. a single job offer within the worker's own occupational category has been rejected, or
- b. when a maximum of two offers within the occupational group as defined by the general council of the INEM have been rejected.

For the purposes of cancellation of said payments (Article 23 of the Basic Employment Law), proper occupational placement will be deemed rejected when:

- a. a job offer within the worker's own occupational category is rejected for a second time, or
- b. a third offer within the occupational group referred to is rejected.

Job offers when the wage offered is less than the amount of the unemployment compensation which would be paid at any given time will not be counted.

If the definitions of occupational groups to be established by the general council of the INEM has not been carried out, their place will be taken by the social security payment categories existing at present.

A worker can appeal a resolution canceling his unemployment compensation to the labor authorities, after a hearing by the provincial executive commission of the INEM.

IV. Employment Development Measures

IV.1. Job Development by Certain Categories

In view of the especially serious nature of the unemployment problem in certain worker categories, the parties signing this agreement have agreed on the desirability of encouraging the hiring of them. To this end, bonuses in amounts equivalent to 90 percent of the social security quota will be offered for the hiring of unemployed workers with family responsibilities who have exhausted basic unemployment compensation, for contracts with a minimum duration of one year.

A sum of 14 billion pesetas will be allocated to finance these subsidies. This fund will be defrayed in the proportions established by the Basic Employment Law for the coverage of allocations by the government and enterprises.

IV.2. Youth Employment

The timely provisions on contracts for practical and training work having been promulgated, the CEOE undertakes to sign an agreement for collaboration with the National Employment Institute for the creation of new job posts for practical or training work oriented basically and fundamentally for young people who have never been employed. The cost of these contracts to the INEM will be covered by the enterprises, through the allocation to these programs of 0.1 point out of the occupational training quota.

IV.3 Special System of Pensions Included in Contracts

The parties signing the agreement have studied the possible effects on employment of establishing a system allowing retirement with 100 percent of pension rights for workers reaching 64 years of age, with the enterprises simultaneously hiring young workers or recipients of unemployment insurance in numbers equal to the planned pensions agreed upon in contracts of the same nature as those replaced.

Within a period of two months, the government will draft norms establishing the regulations for a system which by means of collective contracts or agreements between the enterprises and the workers will allow the substitutions to which the preceding paragraph refers.

IV.4. Payment for Extra Hours

The parties signing this agreement believe that a reduction in overtime is a proper means of creating jobs and have agreed on the desirability of increasing the costs thereof by means of a 10-point surcharge on social security quotas for overtime, such that this volume will fall 50 percent on the businessman and 50 percent on the worker.

Extra hours required because of acts of God and structural reasons set forth in the contract will not be subject to this increase. In this connection, the enterprise and the committee or representatives of the personnel, when suitable, will report jointly to the labor authorities every month.

With a view to clarifying the concept of structural overtime, this will be taken to mean overtime necessary because of peak production periods, unexpected absences, shift changes of a structural nature resulting from the nature of the work involved, or maintenance, in all cases, whenever substitution by means of temporary contract or part time work as provided by law is not possible.

Also in connection with the desire to stimulate the creation of jobs through a reduction in overtime, the parties have agreed on the importance of strict observance of Article 35 of the workers statutes. Failure to observe the provisions of this article will be regarded as a serious violation for the purposes of the provisions of Article 57 of the statutes.

IV.5. Multiple Employment

The parties signing this agreement believe it desirable to eliminate multiple employment, both in the public and private sector, regarding measures pertaining to the government departments as especially necessary, because of their exemplary nature, such as to check on the observance of schedules and effective attendance at work, so as to avoid the inclusion of two or more jobs on the same schedule, all of this within the complex of reform, austerity and rationalization measures for the government departments. It is believed that it is necessary to apply the sanctions for which the legislation in effect provides with maximum rigor, for workers not registered with social security at a given enterprise, because they are so registered at another.

To contribute to the goal of controlling multiple employment, strict fulfillment of the requirement that trade union representatives be shown social security payments

lists, as required by Article 64.1.5 of the workers statutes, is regarded as essential. Failure to meet this obligation will be regarded as a serious violation for the purposes of penalization by the labor authorities.

IV.6. State Contribution to the Financing of Social Security in 1982

In order to encourage employment it is necessary to reduce the share of enterprise labor costs represented by the social security payments. Therefore, the government undertakes to increase its contribution to the social security budget for 1982, raising it to 350 billion pesetas.

With this contribution and the necessary control of the 1982 expenditures budget, an initial reduction of 1 point in the existing rate of social security payments will be made effective 1 January 1982.

The parties undertake to analyze and to recommend, within a period of four months, new measures to be implemented to regularize the quota payment periods and improve quota collections. The positive results of better collection should be applied to a further reduction in the payment rate.

The quota bases will be increased on the basis of the wage criteria established in this agreement.

V. Social Security

V.1. Social Security Pension Quotas and Regulatory Base

The parties signing this agreement agree on the need to combat social security fraud, in particular nonpayment of quotas and certain irregularities currently found in the establishment of the regulatory base for pensions. Therefore, they regard the approval of suitable norms for the correction of these situations as urgent.

Without prejudice to the provisions of Law No 40/80 with regard to nonpayment of quotas, an executory collection system will be established based on presumptive estimates for enterprises which fail to declare.

As to pensions, the increases effected in the last two years in the regulatory base for retirement pensions as a consequence of wage increases in excess of the inter-annual increase resulting from the applicable costs, or failing that, the average increase for the pertinent sector, will be eliminated, with the exception, in all cases (and for the purposes of calculating the regulatory pension base) of the wage increases resulting from seniority, regulatory increases, and any other circumstance the reality and legality of which can be verified.

V.2. Tripartite Commission

The parties agree on the need for greater participation by the trade union and business organizations in the control of social security management. To this end, they will agree within a period of two months on amendments to the norms in effect in this regard.

Also, they have agreed on the need to undertake a joint study of the present social security system, with a view to its improvement and rationalization. For this

purpose, the administration, within a period of no more than six months, will draft a proposal which will be submitted to a commission made up of the parties signing this agreement which will, prior to 31 January 1982, formulate in writing proposals which can jointly be carried out.

The proposals and the conclusions of the commission, as well as the positions with which each party disagrees, will be submitted to the government within the period previously mentioned and will be taken into account by the government in the legislative proposals it may draft in this connection.

The commission will be headed by an individual of recognized prestige and authority in the field, appointed by the government, after having heard the recommendations of the parties signing this agreement.

VI. Trade Union Consolidation

VI.1. Trade Union Quotas

The trade union organizations signing this agreement require that collective contracts, both for the government department sector and private enterprises with more than 250 workers, include provisions for the collection of trade union quotas. As a result, at the request of the workers affiliated with these trade unions or organizations, the enterprises will deduct the pertinent trade union quota amounts from the monthly workers payroll. Every worker wanting this done will submit a request in writing to the enterprise management, clearly asking that the deduction be made, and stating the trade union organization to which he belongs, the amount of the quota, as well as the number of the current account or savings fund to which the corresponding quantity should be transferred. Enterprises will effect said deductions, except when instructed to the contrary, over periods of one year.

The enterprise management will provide the trade union representation at the enterprise, if any, with copies of the transfer documents.

VI.2. INEM Regulations and Institutional Participation

a. The administration will within a period of a month publish draft regulations for the INEM, drafted and approved by its general council. Also, within a period of two months, it will undertake to implement and regularize the participation of representative trade union and employers' organizations in those institutes and bodies in which there are already legal provisions for their participation, once the recommendations of the parties represented have been received.

b. The government undertakes to insure, within a period of three months, the effective representation of the most representative employers' and trade union organizations in control of the management of the National Social Security Institute, National Employment Institute, Institute of Mediation, Arbitration and Conciliation, Social Institute for Leisure Time, and Labor, Safety and Hygiene Institute.

Effective representation in the Higher Price Council will also be insured, and the request of any of the signatories for participation in other bodies having to do with trade union or labor relations and social security will be considered.

c. By agreement of the parties, a suitable body, with the signatories participating, will be established within a period of three months to supervise the functioning of the Wage Guarantee Fund.

VI.3. Aid in Training

Agreements between the representative employers' and trade union organizations and the Social Studies Institute, Health and Social Security Studies Institute and the Cooperative Training Institute will be signed whereby the former will provide training courses and study sessions. These agreements will set forth the content of the training courses, study sessions, and teaching participation of the members of said organizations.

Fifty percent of the budgets of those institutes for courses will be set aside and maintained during the first quarter of each year for this purpose, and will be distributed in accordance with the plans provided by the signatory organizations. For this purpose, and in accordance with the plans provided by the signatory employers' and trade union organizations, each will be provided with permanent premises for these activities prior to 1 January 1982.

VI.4. Social Institute for Free Time

The general council of the Social Institute for Free Time will establish the criteria on the basis of which the trade union organizations will have specific facilities and priority for the use of premises for their members. In particular, the signatory trade union organizations will be provided, for their use under general economic conditions, with up to 50 percent of the residential vacation allocations administered by the institute, with agreement being reached on the areas and annual seasons during which these will be assigned.

VII. Other Agreements

VII.1. Regulation of Employment

The parties and the government deem it desirable to make the following statements with regard to the regulation of employment:

- a. The legislation in effect establishes a procedure to be followed, which must be strictly adhered to in order to offer workers and enterprises full objective guarantees, reservation of places, and broad information, and to insure issuance of the opinions required by the legal norms in timely fashion.
- b. The Ministry of Labor, Health and Social Security will see to and insure the provisions of the preceding paragraph, making decisions on the proceedings for the regulation of employment now in progress, and settling the issues within the established time periods on the basis of objective criteria.

VII.2. Development of the Workers Statutes

Apart from the job opportunities which may be created, or maintained, thanks to the implementation of the measures of a general economic and budget policy nature by the government and the policy of the enterprises based on the resources for investment which may be liberated by this agreement, the signatories agree on the important

effect on employment the development of the various forms of contracting for which the Workers Statutes provide may have. To this end, the government will immediately promulgate the corresponding norms, after consultation with the trade union and employers' organizations signing this agreement.

VIII. Commission to Follow Up and Control the Agreement

The signatories have decided to establish a commission to follow up and control the agreement in order to check on, supervise and interpret its implementation.

The commission to follow up and control the agreement will meet with the minister of labor, health and social security or the minister of economy and commerce, or an individual with delegated authority, presiding, and it will include three representatives of the administration, three representatives of the Spanish Confederation of Employers Organizations, three representatives of the Trade Union Confederation of Workers Commissions, and three representatives of the General Union of Workers.

The commission will meet bimonthly and, on the basis of the information received on the implementation of the measures in this agreement, it will make the necessary recommendations for its implementation.

Agreements will be adopted by unanimous vote. The organizations represented on the commission as well as the representatives of the administration can have the minutes include a record of any special votes they see fit. At the first session held to establish the commission, the regulations governing its functioning will be drafted.

Within the commission to follow up and control the agreement, the parties will establish a special commission entrusted with obtaining information from the administration with a view to checking on the implementation of the large public investment quotas most directly related to the creation of job opportunities.

Final Provision

These agreements will remain in effect until 31 December 1982. Prior to that date, the signatories will make a study of their possible revision and extension.

5157

CSO: 3110/119

MIXED ECONOMIC TRENDS FORECAST BY OECD

Madrid EL PAIS in Spanish 10 Jul 81 p 47

[Article by Alberto Valverde: "OECD Says No Decisive Reactivation of Spanish Economy Before 1982"]

[Excerpt] The expected and hoped for recovery of the Spanish economy will not occur until the year 1982 has begun, and it will depend to a great extent on the expectations of economic and trade growth in the rest of the Western countries, according to the estimates for the next 18 months contained in the semiannual report PREVISIONES ECONOMICAS, released yesterday by the Organization for Economic Cooperation and Development (OECD).

The report, which predicts that Spanish economic activity will remain "weak" during this year, despite the moderately expansionist policies adopted by the government on the budget front, makes a substantial alteration in its estimates released six months ago, expressing the certainty that the projected recovery of the Western economy is lagging and will not occur until the middle or the end of 1982.

Where Spain is concerned, the report is categorical in noting that "despite the moderately expansionist policy in the manipulation of demand, activity can be expected to be weak in 1981. But if the expansionist policy is maintained, recovery resulting from exports may occur in 1982, in view of the improvement in the competitive capacity linked with the deterioration in trade terms and a relaunching of the export market as the world economy recovers."

The OECD experts view the fact that Spain has reduced its level of inflation--despite the increase seen in import prices--as positive, and they believe that this was made possible by a slightly restrictive monetary policy. However, the effects on demand, thanks to a budget policy which was initially neutral in 1980, but was clearly expansionist in the 1981 fiscal period (when an increase of 30 percent in public investments is expected) suggests that there will be a slight recovery, although this would be inadequate without the support of the hoped-for boom in exports.

Thus it cannot be expected that the hoped-for recovery will absorb the increase in unemployment, and it is improbable that the heavy 1980 foreign deficit will be contained. Quite the contrary (to the point of reaching 6.5 billion dollars in 1981), and it is also uncertain whether inflationary tensions will be definitively alleviated.

Global Prediction

With regard to the estimates for the entire area of 24 OECD countries, the report is definitely pessimistic, since there is even a lag of six months or more in the recovery which it had predicted for the end of 1981 in its most recent analysis last December. However, the OECD notes that there will be major differences among the member countries in economic results, the basic reason being the exchange rate among the various currencies and the contradictory monetary policies being pursued in the different countries.

Therefore the increase in the gross national product in the main European economies will be negative (-1 percent) in 1981, although it will leap to about 1.5 percent on the positive side in 1982. The predictions for Japan are much more positive, since the growth may come to about 3.5 percent this year and may even be accelerated next year. Any estimate for the United States is regarded as very risky by the OECD, although it does indicate that the growth will be very modest this year, reaching a level of about 2 to 2.5 percent in 1982.

On the unemployment front, the OECD technicians are frankly pessimistic, believing that the unemployment level will increase by a half a point over the current 7 percent of the labor force in the 24 countries. In absolute terms, this will mean that today's 24 million unemployed will become 26 million in the second half of next year. As to unemployment among young people, it will reach 20 percent in some European countries.

Inflation, on the contrary, is the only front on which the OECD believes there will be an improvement. The weakening of prices for oil and other raw materials, along with a more moderate expectation for wage increases, will lead the 10 percent general inflationary rate in the area to drop to 8.5 percent by the end of 1982. However, the technical staff of this organization warns that the differences among the various countries will be great, and that the rate will vary from the 3.5 percent which the FRG may report in the second half of this year to 15 percent for Italy.

With regard to trade balances, the report says that the current account deficits should be lower in 1981 than those reported in 1980, but this decrease will not exceed \$30 billion, leading to a figure by the end of the year of about \$70 billion.

The improvement in the foreign positions of the member countries is, however, being held back by the exchange fluctuations, a direct result of the strengthening of the dollar. The accelerating decline of the European currencies caused by the rise for U.S. foreign currency is causing the export position of the OPEC countries which sell crude oil to improve as compared to Europe, despite the drop in oil prices.

Recommendations on Economic Policy

For the first time in several years, the OECD suggests that the governments of the member countries make a "change in focus," not to day direction, in their economic policies. This change, which was the subject of ardent discussion at the last annual ministerial meeting of the OECD held last June, is based on a policy which should "balance the use of a wide range of tools, taking into account the interdependence among the member countries and the need to find a balance between the activities which address temporary and structural problems and supply and demand policies in the short and long range."

This carefully thought out and structurally balanced statement comes at a timely moment in the tremendous and unresolved polemics which developed among the member nations during that meeting in connection with the need to modify the strongly restrictive monetary policy urged by Washington (thesis of France and the Mediterranean countries) and the opposition of the United States, Great Britain, and up to a point, the FRG, to this change.

Finally, and as the report reveals, the OECD recommendations on economic policy are a mixture of the two positions, but with the variation that a change can be seen in their orientation, especially with regard to the fact that the secretariat of the organization itself stood firm in its prior report on the need to initiate clear employment incentive policies.

In this regard, the OECD indicates that the "suitable mixture of economic measures" will depend in part on the situation in these countries, always bearing in mind that the increased pressure involving monetary, budget or fiscal tools will depend on the inflationary tension and the domestic demand situation. In any case, the measures adopted will in all cases tend to promote investment rather than to inhibit it, particularly all of those in the budget sector.

In the final analysis, the measures must seek to promote investment above all, with a view to improving the general development of the economy, to create new jobs, and to improve such strategic sectors as energy, etc.

OECD Predictions for 1981 and 1982

	Gross National Product (%)		Inflation (%)		Unemployment (%)		Current Account Balance in Millions of Dollars	
	1981	1982	1981	1982	1981	1982	1981	1982
Total for OECD	1.25	2	10	8.5	7	7.5	-63,000	-67,000
United States	2.5	1	8.5	8	7.2(2)	--	4,000	- 6,000
FRG	-1	1.5	5.5	4	3.7(2)	--	-17,000	- 5,000
Japan	3.25	4.5	5.5	4.75	2.1(2)	--	--	- 1,000
Spain	2	3	14.5	12	12.3(1)	--	- 6,500	- (3)

1. Data for the last quarter of 1980.
2. Data for the first quarter of 1981.
3. The OECD believes that there may be a reduction in the 1981 deficit.

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CSO: 3110/119

WORKERS COMMISSIONS ORGAN ASSESSES EMPLOYMENT ACCORD

Madrid GACETA SINDICAL in Spanish Jun 81 p 5

[Text] The mandate of the executive commission is coming to an end currently with the fulfillment of one of the main goals we proposed at the first congress of the confederation. At that time we launched the idea of a plan for solidarity against unemployment as the strategic axis of our trade union policy, such that employment would come to be the focus of our concern, with the others being functions thereof. After a sustained two-year effort, involving false starts which we rejected, we have now achieved a national agreement on employment which, obviously, is not our solidarity plan, but does indeed fall within this strategy, containing some of its elements and providing the first step along a path we must cover phase by phase.

The outgoing executive commission, which has directed these most important negotiations, regards the results achieved, in view of the overall nature of the agreement and the circumstances surrounding it, as highly positive.

Obviously, in order to judge the virtues or evils of an agreement various aspects must be taken into account:

--the balance of real forces of all sorts between capital and labor;

--the situation in the country; and

--what our main goals are and which goals are secondary.

In brief we can say that the balance of forces is not favorable to the trade unions; the situation in Spain is very serious; and our main goal is to combat unemployment and protect the unemployed.

The agreement, in addition to the specific content to which we have just referred, has in our view achieved six very important goals. We will summarize them in this document:

1. It situates employment at the real and practical center of trade union activities.
2. It establishes a basis for unity between those who work and those who do not, which is a key problem in the workers movement.
3. It takes a step toward the consolidation of democracy and deals a blow to the "coup" mentality, which finds a medium in the economic and social chaos generated by unemployment.

4. It brings the AMI period to an end, which has led to a state of trade union weakening.

5. It establishes a positive climate of unity of action between the CCOO [Workers Commission] and the UGT [General Union of Workers] in the negotiation and implementation of the agreement.

6. It establishes the foundations to allow collective negotiation to be undertaken during 1982 on the basis of unity of action, with a joint CCOO-UGT platform, rather than as in 1981, with each union on its own.

All of these questions must be borne in mind in order to make a judgment on the agreement. Bypassing its specific content, we will not expand on the subject because it has been made available to the congress participants and they are familiar with it. (This text was distributed at the Second Confederal Congress.)

We propose three goals:

--To create the conditions so that jobs can be created and a government commitment obtained in this connection. It promises to create 350,000 jobs, in other words to prevent unemployment from increasing in 1982. What guarantees of fulfillment are there? The verdict in the next general elections in the event of nonfulfillment, the supervisory and control commission, as well as the specific commission for investments, and unity of action among the trade unions.

--Coverage for the unemployed. Elimination of the Basic Employment Law. Extension of the nine months of subsidies to all the unemployed with family responsibilities; larger sums than in 1981, with guarantees for community employees; insurance for prominent rural workers; medical-pharmaceutical cards for all the unemployed; and a special fund of 15 million for construction, hotel and other categories without coverage.

--Development and strengthening of the trade unions. Return of 116 premises to the CCOO and the UGT; economically viable sums for 1982, 1983 and 1984; and substantial impetus for trade union formation.

Obviously, this demanded a willingness on the part of those living on wages and salaries to make a sacrifice. This sacrifice has served to save three major groups. First, the pensioners on the lowest levels, who are the majority; second, those dependent on the SMI [interoccupational minimum wage]; third, the unemployment; and fourth, those with no capacity for collective negotiations.

Obviously the other workers are willing to make a sacrifice which may range from two to five points below the IPC [consumer price index].

Balancing the advantages and the disadvantages of this agreement, we are convinced that it is positive for Spain as a whole, for the workers and for democracy.

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CSO: 3110/119

GROWING CONCERN EXPRESSED OVER MARINE CAPABILITIES

Priority Urged For Maritime Industry

Istanbul DUNYA in Turkish 24 Jun 81 p 9

[Text] The Chairman of the Board of Directors for the Erdem Business Group, Irfan Erdem, stating that the approaching date of 1 July is a day for great celebration, thanks to the Coastal Navigation (Kabotaj) Law Number 815 which grants priority to the Turkish flag, pointed out in the OFFICIAL GAZETTE that Law Number 815 concerning Maritime Transport and the conduct of industry and trade in ports and territorial waters, has created countless means for the development of Turkish coastal shipping. He added, however, that because the necessary importance had not been directed toward shipping by the nation, the shipbuilding industry is lagging significantly and he noted that when a comparison is made with the world shipbuilding industry the reasons for the lag are apparent.

Irfan Erdem stated the following:

"Along with the increase in import-export movements among the world's nations, the world commercial fleet is expanding also. But technical and political reasons are, to a great degree, affecting the speed at which the world commercial fleet expands. Causes such as developments in shipbuilding technology, improvements at ports, changes in other transportation systems, techniques like the search for new energy resources on the high seas, the opening or closing of channels, fluctuations in freight charges, and oil prices are altering the development of the world commercial fleet. As a matter of fact, while the total tonnage of the world commercial fleet, composed of 15,702 ships in 1965, was 185 million deadweight tons then, the total tonnage had risen to 285.7 million deadweight tons in 1970, when there were 18,887 ships. By 1980 these increases had reached 36,274 ships and 692.18 million deadweight tons. Yet the Turkish maritime commercial fleet, which was comprised of 671,681 gross tons in 1965, was able to reach only 696,824 gross tons by 1970 and, after having passed 1 million gross tons as of 1976, reached 1.5 million gross tons by 1980.

"In the 10 year period, 1959 to 1969, world tonnage showed a 73.2 percent increase, while that of the Turkish maritime commercial fleet saw a reduction exceeding 11 percent.

"As of 1977, the Turkish commercial fleet was ranked 34th in the world with 1.3 million gross tons. Additionally, our fleet is made up of ships ranging in age as follows: 42 percent younger than 10 years, 31 percent between 10 and 25 years old, 27 percent older than 25 years. If we consider the economic lifespan of the ships to be 20 years, then 32 percent of our fleet has completed its economic lifespan. In other words, the Turkish maritime commercial fleet is in need of rejuvenation.

"The world maritime commercial fleet is comprised of 39.8 percent tankers, 25.1 percent bulk cargo ships, 24.1 percent general cargo and other transport ships. The Turkish maritime commercial fleet, on the other hand, is made up of 25.3 percent tankers, 6.9 percent bulk cargo ships and 68.9 percent general cargo and other transport ships. In addition, the Turkish fleet has many low-tonnage ships.

"The fact that transport in Turkey is directed toward the highways, with regard to the sub-sectors, reflects a wastefulness unparalleled in the world. In fact, of all the goods transported in Turkey, 73.9 percent are sent overland on highways, 25.8 percent by railroad and only 0.3 percent are shipped by sea. Worldwide, 73.1 percent of goods are transported by sea, 18.3 percent by railroad and a mere 8.6 percent on roads. This table is yet another example of how the national wealth, spent on oil, is being squandered.

"It can clearly be seen from this that the transport of passengers and goods in our nation is based on the highways, the complete opposite of the situation in other countries. In our country, surrounded on three sides by the sea, maritime transport, despite the fact that it is nearly 5 times cheaper, is being neglected and road transport, which is the most expensive means and is based in large part on foreign exchange, is being encouraged. So much so that by the Dock Dues Law Number 827, the maritime economy, already left quite emaciated, is rendered even more exhausted. Yet, while the state industries are assured of easy means of profit, the law does not ask that they be overseen by strict rules, when, in reality they have raised the state's loss of foreign exchange significantly.

"How strange it is that the Dock Dues Law Number 827 should be in effect now. We hope that the 12 September administration will eliminate this and similar laws for the good of the country and put together new ones according to the requirements of the day.

"As stated above, the favorable contributions of ships involved in international transport to their nation's balance of payments is a known fact. Consequently, tough competition in international maritime transport is dominant. In order to be active in this field, a strong fleet is considered a requirement. Our country does not have a fleet sufficient to handle our import-export transport.

"While foreign commercial transport rose to 22 million tons in 1980, of this, 15 million tons were carried on ships with foreign flags. Freight cost expenditures, which moved to second after oil, reached \$700 million. Ships flying the Turkish flag carried only a 7 million ton portion."

Irfan Erdem, who noted that this result had been made known in the form of an official announcement on television a few days ago, drew attention to the fact that the countries which have significant heavy industry and in which the shipbuilding industry contributes to the development of iron-steel, motors and a great many other peripheral industries, are the industrialized nations. He commented as follows:

"World construction capacity has today reached 60 million deadweight tons. But since there are not enough orders, only 25 percent of this capacity could be used in 1979. Because the shipbuilding industry is a labor-intensive industry, the tendency toward countries that have lower wages for workers has increased in recent years.

"This opportunity is not being taken advantage of in our country. In spite of the fact that worker's wages are low, the costs of ship construction are going up. Since our shipbuilding technology has not seen the necessary development, more man-hours than necessary are being used.

"As the result, our technology lags behind even those nations which have concentrated efforts on shipbuilding within just the last 5 to 10 years, in spite of the fact that we have been in shipbuilding for more than five centuries. The most important reason for this is that sea transport and, consequently, the shipbuilding industry, have been neglected by the nation and state and, for various reasons, a policy of ship importing has been made attractive.

"The lack of development in both the Turkish maritime commercial fleet and the shipbuilding industry are rooted in the fact that a sound National policy for sea transport has not been determined and therefore not implemented.

"Turkey has spent many long years deprived of a unified, official department to protect its maritime resources. The most important of these, the Turkish Maritime Trade Department, has not been established.

"The development of sea transport suitable to the nation's economic policy will begin when we stand up for our maritime resources. In this regard, encouragement for ship construction should continue. When the primary and peripheral machinery and certain electronic equipment for shipbuilding are obtained from abroad, this means a 30 to 40 percent foreign dependence. Cooperation with and development of our industry in this field must be supported."

Depressed State of Coastal Transportation Eyed

Istanbul 8. GUN in Turkish 28 Jun 81 pp 11-13

[Text] Every hour of the day in Istanbul, at the Karakoy pier, in Sirkeci and Kadikoy, there is an ongoing activity: "Hey, the boat is pulling away, come on let's catch it." "Does the boat stop at Haydarpasa, bud?" "What? The trip has been cancelled?" "We're done for"

Yes, the veteran ferries carry a great crowd of people to and from work each day. Most people choose the ferries for trips between the cities along the shore, and set out on them for both sea travel in the summer and relaxation.

Our country is one of the old nations that set sail on the seas and hoisted its flag in foreign ports. One notes in the records that the maritime transport of passengers and goods in our country began approximately 150 years ago. Turkey today is trying to continue its state-run maritime transport system in its own territorial waters and in foreign ports in accordance with both 20th century technology and the tenets of operations and tourism. The establishment responsible for the transport of passengers and goods on the seas is the Maritime Bank. The Maritime Bank, which is a general directorate linked to the Ministry of Communications and Transportation, runs two operations within the structure of passenger transport. One of these is the Maritime Lines, the other is the City Lines Operation.

Maritime Lines Operation

The Maritime Lines Operation of the Maritime Bank operates passenger transport through trips arranged to ports within our country's territorial waters and international ports. Trips originating in Istanbul, where the General Directorate and Operations Directorate are located, run as far as Hopa in the Black Sea and Iskenderun in the Mediterranean Sea. Additionally, there are north-south Mediterranean routes as well as tourist trips to foreign ports in international waters.

The routes of the Maritime Bank's Maritime Lines Operation extend to Spain in the western Mediterranean and to Haifa in the southeast Mediterranean, in an effort to keep alive and display the strength of Turkish maritime lines, using two red anchor emblems set diagonally on a white base on the smokestack.

The Maritime Bank's Maritime Lines Operation today has 12 passenger ships and 5 ferryboats. These passenger ships and ferryboats, which have a capacity of 56,203 gross tons, prove their worth on the seas carrying passengers on set timetables. The total gross tonnage of the passenger ships is 39,803, and 16,400 for the ferryboats. The passenger capacity of the Maritime Lines' ships is 10,453. This capacity is broken up as follows: 6,360 for the passenger ships, 4,173 for the ferryboats. The Maritime Lines' ferryboats make trips on these routes; Istanbul, Bandirma, Istanbul-Izmir, Venice, Ancona and Mersin-Cyprus. The Maritime Lines Operation has seen a great development in recent years in vehicle as well as passenger transport. Those who want to go to the southern provinces, particularly during the summer months, prefer to take the ferry from Istanbul to Izmir and from there continue either by road or ship.

An Old Fleet

The ships that the Maritime Lines Operation has are of the old type passenger ship class. Ships built in 1953 are still in service. The Maritime Lines newest ship was built in 1977 but the number of these is rather small. The make-up of this fleet is the reverse of the saying widely used in maritime

circles "new ship, old captain". The rising loading and unloading expenses at ports, escalating fuel prices and the daily rise in personnel and other expenditures has kept the Maritime Lines from being a profitable operation. But up until now the loss has been made up by the state from the treasury. Today, however, as in all Public Economic Enterprises, a rational operation aimed at eliminating loss and a working tempo based on making a profit are being implemented within the Maritime Lines' structure. The Maritime Bank, which closes its budget each year with a loss, will cease to be a burden on the state's back and will become a money-making establishment for the state.

The Maritime Lines has some obsolete ships too. The technical staff has disposed of these ships, which are now useless and so old as to be unserviceable, one by one ... since 1959 till now 20 ships have been discarded and sold. These are the names of the veteran ships, well-known by past generations: "Istanbul", "Adana", "Ordu", "Giresun", "Trabzon", "Etrusk", "Kardes", "Sus", "Marakaz", "Uludag", "Bandirma", "Samsun", "Iskenderun", "Ankara", "Aksu", "Erzurum", "Gunevsu", "Tari", "Tarsus"

Leasing Ships Earns Foreign Exchange

The Maritime Lines Operation has also started to develop a method to make money by leasing ships to foreign countries. The ship "Izmir" has been leased to the Romanians for three seasons. The "Akdeniz" will make tourist excursions and trips to Cyprus under an agreement with tourism companies. The directors hope that the practice of leasing ships, in particular, will bring a good profit and earn foreign exchange

There is no shortage of captains for the Maritime Lines, but it is having difficulty finding crew members. According to information that has been provided, the majority of Turkish seamen are not working on Turkish ships because of the high wages paid by ship-owners working on foreign-flag carriers or by foreign countries.

A seaman in Turkey can make 25,000 lira at the most while the same seaman can get \$2,000 (180,000 lira) abroad. The captains serving in this organization are graduates of the Advanced Maritime School. To rise to the rank of first captain and its attendant duties requires patience. It is not common for a man to become a captain before 25 years. The age of retirement for captains on the Maritime Lines is 65. The age limit is kept high so that experienced captains can work and they do not easily accept retirement. The fame of Turkish passenger ships, painted white as a symbol of cleanliness, still enjoys all its vigor in certain European countries. For example, it is known that one of every five households in England has a photograph of the "Ankara". Those who travelled on the "Ankara" took a photo of this ship to save the spirit of the memories they made there. The "Love Boat" of years gone by, the "Ankara", is now a wall decoration

City Lines Operation

The Maritime Bank's second important operation for passenger transport is the City Lines. It conducts passenger transport with small ships between the two shores of the Bosphorus, from Eminonu to Yalova, Cinarcik and Adalar, between the shores of the Golden Horn, in the Gulf of Izmir, and between Konak and Karsiyaka in Izmir. These nearby ships carry people to work and students to school. Separate from these, the City Lines Operation runs car ferries between Kabatas-Uskudar, Sirkeci-Haram, Kartal-Yalova, Darica-Yalova, Eceabac-Canakkale, Gelibolu-Canakkale, as well as operating passenger and vehicle transport. Before the Bosphorus Bridge was built there was a great shortage of ferry trips between Kabatas-Uskudar and Sirkeci-Harem. We all lived through the recent past when lines of vehicles stretched to who knows where.

Ferries Leave Like 'Dolmuses'

The most important and interesting of the City Lines Operation's routes are those trips in operation between Karakoy-Kadikoy, Eminonu-Kadikoy, and Karakoy-Haydarpasa. Ferry service every 10 minutes, like a dolmus [taxi or boat which only starts when it is filled up with passengers] is provided between Karakoy and Kadikoy, in particular. This service, run in the morning and evening hours, is more spread out during non-working hours. The 1979 balance sheet for the City Lines' service in the Straits, Marmara, Gulf of Izmir and the Golden Horn, looks like this: 120,000 trips and 125 million passengers. It is reported that while the daily average of trips was 700, the number of passengers carried was set at 350,000. Included in the information provided was the news that 50 percent of the 700 trips were made by ships departing from the Karakoy, Sirkeci and Eminonu piers. City lines ships, which have gradually increased their capacities and expanded their dimensions, usually maneuver very close to one another at the port at the mouth of the Golden Horn, and this confirms that the captains have become master acrobats in their jobs as well. The ships, alongside of each other, sometimes create a surface uniting the Karakoy and Eminonu piers. The coming and going of the ships to the piers in such a small area amazes even those who ride those ships to work each morning

Capacity of City Lines Ships

The ferries of the Maritime Bank's City Lines come from a few different classes. There are 17 garden class ferries, 4 old-make ferries, 18 Adem Yavuz-type ferries, 3 village-type ferries and 12 numbered ferries. In addition, there are also 2 flat-bottom boats in service in the Golden Horn.

Ferries that have a number on the smokestack and on the side of the captain's bridge are the oldest and most veteran of the city lines' ships, having served for almost a century. These ferries, which run on coal, symbolize an era of history.

The average age of the City Lines' ships, of which there are 56 in the fleet, is 28.8. Nine ships are nearly a century old, seven are between 40 and 60 years. Other than those ships with their numbers on the smokestack, all ships are now

using diesel fuel. A large portion of these ships were put together through the labor of Turkish engineers and workers at the Golden Horn shipyard. The passenger capacity of the City Lines' ferries is 74,216 in summer, and 60,914 in winter. The City Lines is one of the operations which make the most money, yet because of increased costs it still is not making a profit. The profitability will be monitored from this year forward. The City Lines Operation was dealt a blow with regard to earnings, following the inauguration of the Bosphorus Bridge, but in succeeding years the balance has reasserted itself.

Skillful captains serve in the City Lines Operation. Most of them come up through the ranks. A youngster who enters the company as a quayside hand continues his service as a deck boatswain, steers at the captain's side and learns the job and the profession. Then he takes the examination at the Advanced Maritime School, becomes a captain on the short runs and the shore routes, then puts on the captain's uniform and sets up in the bridge and runs the ship. These captains thoroughly know every spit along the Straits and Marmara.

Nightmare of City Lines Ferries

The biggest nightmares for the City Lines Ferries are the "dolmus" motorboats that run along the mouth of the port and operate on Istanbul's Anatolian shore, and the fishing boats that stop unconcerned in the middle of the water A miracle has to happen to prevent a calamity. The collision of the ferry "Ulev" with the motorboat "Senol" resulted in a great loss of life and this bitter accident is still in memory. Another unforgettable calamity was the sinking of the ferry "Uskudar" in the Gulf of Izmir when 400 people died These are two catastrophes which occurred within 100 years. But every day accidents by the hundreds are avoided between the City Lines' ferries and these rowboats and motorboats. Fog, violent storms and blizzards are the worst enemies of the City Lines' ferries.

The unrivaled dominance of the City Lines ferries before the start of land transport and municipal bus service, still maintains its importance today. A person cannot easily forget the cry from the crewmen, "Watch your feet", when they throw down the boarding platform for the passengers, as these veteran ships approach the pier, and then, the great skill with which the crew ties the thick ropes to the bollards and the squeaking sound that comes when the rope stretches with the ferry These are the well-worn ferries that leave one with a passion for the sea, the peace of a relaxed journey, and a fresh and lively feeling borne of friendship and comradeship.

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CSO: 4654/64

FINANCE MINISTER ANALYZES NEW DEMOCRACY PARTY PLATFORM

Athens AKROPOLIS in Greek 12 Jul 81 p 7

[Interview with Finance Minister Miltiadis Evert by AKROPOLIS Economic Editor, Dim. Levendakos]

[Text] The ND platform for the next 4 years provides opportunities for education, work, housing, higher compensation for all working people and pensions for the retired in a healthier and cleaner environment. These goals of the new economic and social development program which was prepared and approved in a most democratic procedure are analyzed by Finance Minister Milt. Evert in an exclusive interview he gave to our financial editor, Dim. Levendakos. The text of the interview is as follows:

QUESTION: The ND platform positions were discussed during the extraordinary congress. What is the overall framework of the economic policy ND will follow?

ANSWER: The free enterprise principle is the foundation of our platform. We believe that no perfect economic systems exist. Of the existing systems the best is that of mixed economy. The state exercises strategic control over the economy but it wants a dynamic private sector which can develop freely but without exploitation of the social whole.

We do not consider the accelerated economic development as a goal by itself but as a means for the social welfare of the Greek people. When we plan our economic program we have as our guideline the kind of society we and our children want to live in. We feel that a feeling of social well-being should exist in the future we are building. Not a single able Greek should be without employment and income. Not a single outcast. Not a single person without pension, medicinal and hospital relief. Not a single one without the possibility of acquiring a house. All people with homes and jobs in an environment where they can enjoy life. The possibility should exist for all people to acquire full and continuous education and culture which develop free and conscientious citizens.

No political democracy can exist without economic and social democracy. This is the kind of society we are building and on this basis we determine our economic policy. We believe and we are implementing a gradual and systematic reformation of the present society with radical changes within a peaceful framework and with democratic procedures.

Fewer Hours of Work

QUESTION: The ND Congress discussed specific platform positions for the next 4 years. Can you pinpoint the basic goals of this program?

ANSWER: Before mentioning these goals I would like to make clear that the program's timetable is not limited to the next 4 years but, for the realization of certain objectives, it covers a greater time period. To put it more plainly, while the platform fixes the level of economic and social development the Greek citizen must reach in the next 10 years, it proposes at the same time specific special measures for the implementation of partial goals in 2 to 9 years. Some examples of specific goals are:

In the next 2 years the work hours of the working people will be reduced by 2 hours per week. It is anticipated that during the same period 2,800 new beds will be added to provincial hospitals. In the area of education, it is expected that 16,000 new classrooms will be built in the next 4 years. It is also anticipated that at the end of the decade 13 percent less oil will be used for the production of electrical energy.

As you see, our program, in contrast to those of other parties, is devoid of verbalisms. It contains only specific goals.

No Air-Tight Compartments

QUESTION: Is there a specific reason for extending the measures beyond the 4-year period?

ANSWER: The program must be both realistic and specific. Since it includes many goals, it is logical that their attainment should be accomplished gradually while certain goals should be achieved by implementing measures at different times. As you know, no air-tight compartments exist in economy. Progress in one sector depends on that in other sectors. On the other hand, the long-term goals are not limited to the 4-year period. We are not only interested in how to govern in the next 4 years--we are always thinking of the remote future.

QUESTION: Is the platform general or does it include specific measures by sector?

ANSWER: We have proved by our actions that we do not believe in theoretical concoctions but try to give specific solutions to the country's serious issues within the limits of the Greek economy and having always as our guideline the interests of the people. We are trying, moreover, to find solutions without dogmatisms and prejudices which oftentimes overestimate the inconsequential and underestimate the momentous issues. On the other hand, the platform includes specific measures particularly for the sectors of welfare, health, social insurance and education as well as for the other sectors--such as industry and agriculture--which in their totality affect the citizens' level of prosperity.

Comprehensible Platform

QUESTION: In other words, each sector is analyzed separately.

ANSWER: The platform consists of 23 chapters each one of which deals with a specific activity. Each chapter states what the ND governments have achieved thus far and what we specifically intend to achieve in the next years.

Even though platforms are not evaluated by the number of their pages but mainly by their content and quality, I must tell you that our platform consists of 240 typed pages. Each chapter constitutes an outline [of reports by sector] and includes extensive studies on specific issues. For example, the platform chapter on regional developments is only about 10 pages but is based on a separate, more detailed report of 256 pages. The same is true for other sectors.

We attempted to treat the platform in as popular a style as possible because for its success the people must understand it since it is the people who will materialize it. For this reason, [the platform] must be written in as simple language as possible.

QUESTION: The press reported the names of economists who helped in writing the platform. Who finally authored it?

ANSWER: The ministers contributed to the platform. They provided data on what has been achieved thus far in their respective ministries and submitted proposals, solutions and suggestions about the future. All proposals were scrutinized by a specially appointed committee with members from the party's branch organizations. Subsequently a final review was made before adopting the best proposals. The committee includes many professors and economists among whom are Drakos and Sarandidis and its conclusions are realistic and within the margins of the Greek economy.

The party's congress debated the [committee's] recommendations on each platform topic and approved it together with some proposals submitted during the sessions of the congress. The platform text was then referred to the party's executive committee for final polishing.

Democratic Procedures

QUESTION: Such procedure is rather new for a Greek political party. What are its advantages?

ANSWER: The procedures followed were most democratic and I must point out that for the first time in Greece a party goes to the Greek people before elections with a comprehensive program by sectors with specific measures and specific times for adopting them.

Thus we are ushering in a new period in the political annals of the country, away from the ideological, sterile contentions, slogans and bickerings used by certain opposition parties.

ND proposes a program. But its implementation rests with the whole Greek people. It is for this reason that it was prepared and approved in a democratic way. For ND, governments of the present and future are governments by the consent of all people.

QUESTION: The platform's objective goals appear different compared to those of previous governments.

ANSWER: Our basic goal is the fastest possible economic development of the country with special emphasis on regional economic development and quality of life. In this respect there is an important difference with the past: Until now the strategy for economic development aimed at an accelerated increase of the national income and placing the quality of life on a secondary level. However, now that we have reached the capability of satisfying our basic needs, it is necessary that we sacrifice part of the increase in the income in order to improve the quality of life of the Greek people.

All Industries Away From Residential Areas

QUESTION: Would you like to cite a specific example?

ANSWER: The [platform's] chapter on environment provides for moving certain industries which pollute the atmosphere away from residential areas. It also provides large outlays for improving the quality of fuels and establishing a center for biological cleaning of wastes.

Money earmarked for the above goals cannot be used in other productive sectors where it is certain that they would create greater increase in the national income. We believe that improving the quality of life is a matter of top priority. Besides, when it comes to "quality of life" no amount is too large while an increase in the national income does not always mean better quality of life.

QUESTION: You spoke about regional development. What do you think of it in the next few years?

ANSWER: After 1955, the economic development was based on the comparative advantages of the relatively advanced areas of Athens and Salonica. This was bound to happen because the large industrial units can operate more efficiently in areas where a proper infrastructure exists and because they are nearer to consumption and the skilled labor force.

Development of Provinces

The provinces did not have infrastructure and for developing it was necessary to spend exceedingly large amounts of money which the country could not provide during the first stages of its development. The operation of the industrial units allowed the state to find resources for developing proper infrastructures in provincial centers and it is hoped that as the level of incomes increases the state will be in a position in the next few years to earmark more resources toward this goal--something which is needed not only for socio-economic reasons but for national reasons as well. The reconstruction of the country could not have been done in a different way even if we had to do it over again. In the future, we aim at providing important incentives for regional development while the adoption of counter-incentives such as prohibiting the installation of industrial units in Attika will discourage further concentration of economic activity as well as concentration of the population in large urban centers.

At the same time, we aim at an important market for the various regions by strengthening the agricultural sector. Specifically, the total Farm Insurance Organization outlays for pensions and allowances in 1980 reached 23 billion drachmas compared to 5 billion drachmas in 1974 or they more than quadrupled. At the same time, the total 1980 subsidies and income supports for the agricultural sector reached about 65 billion drachmas compared to 18 billion drachmas in 1974. These beneficial measures for the farmers were supplemented by the high price supports and the tax considerations policy the government extended to farm products and by the housing loans granted to farmers on very favorable terms.

Income Redistribution

QUESTION: A large percentage of the population represents wage and salary earners. What would they expect from the next ND government?

ANSWER: The main goal is to redistribute the [national] income among the wage and salary earners and especially the small-medium income classes. It should be said that in this sector our achievements are significant. It suffices to mention only that the minimum daily wage for men quadrupled during the 1974-81 period. During the same period the average monthly compensation for blue and white-collar workers in industry was tripled while the increases in pensions were also significant; the Social Insurance Foundation, Greek Craftsmen's and Tradesmen's Insurance Fund and Seamen's Retirement Fund pensions were increased by seven and a half times.

We shall follow this policy in the future also. Two more important goals of our policy are the reduction in inflation and maintenance of the high percentage of employment of our labor force. As concerns this last goal we have thus far been successful.

In most cases these two goals are in conflict. The energy crisis caused many countries to put more emphasis on the reduction of inflation and on employment. We did exactly the opposite and succeeded in having a much smaller percentage of unemployment than other European countries but we were forced to accept higher inflation. The recent disorders in Great Britain whose government opted for the first choice reaffirm the wisdom of our choice. In the next 2 years our objective will be to lower inflation to the average level of inflation in the community countries and to increase employment by 200,000 new jobs. Finally, a basic objective of our platform is the best apportionment of the productive factors in their interchanging uses in Greece.

New Classrooms

QUESTION: You have stressed the realistic character of the ND platform. But is it realistic to say that 16,000 new classrooms will be built in the next 4 years?

ANSWER: Of course, it is since, moreover, during the past 6 years we added 14,200 classrooms and in 1981 we will build 3,000 more. In other words, more classrooms were built during the past 7 years than in the period from the independence of Greece until 1974.

At this point I would like to point out why we pay great attention to education. We believe that it is the most productive investment. All dynamic and successful economies of the world relied and still rely on an educated labor force. The cost of education is not a luxury. It is a national need.

QUESTION: I noticed that a special chapter [of the platform] deals with women.

ANSWER: Of course, because we have achieved a lot in this sector during the past 7 years and much more is being planned. Specifically, the minimum wages are now the same for men and women. The right of family allowance was extended to working women also. Self-sufficient pensions were instituted for farming women, etc.

Our target for the next 4 years is the establishment of equality among both sexes in the economic, cultural and social sectors, the equal treatment of women from a legal standpoint in all manifestations of life and, generally, the equal opportunity for advancement for both men and women.

Cost of Living Readjustment

QUESTION: A hot issue that concerns all working people and on which the opposition is harping is the cost of living adjustment for working people and pensioners. How do you cope with this problem?

ANSWER: Our objective is to increase the real income of all working people in accordance with the productivity increase rate and the real national income. To achieve this objective, the government will enter into negotiations with the working people in an effort to find a common system which will ensure the purchasing power of wages and salaries.

At this point I must say that I am astonished by the fact that the opposition continues to project as its target the cost of living indexing of salaries and pensions. If we had followed such a policy from 1975 to 1980 the salaries and wages of the working people would be much smaller than what they are now because during this period the real (after inflation) monthly compensation of employees increased by an average annual rate of about 4 percent and the real weekly wages of workers by about 7 percent. An example: The minimum daily wage is 600 drachmas. If the automatic cost of living adjustment was followed from 1975 on, the same daily wage would now be 495 drachmas.

The workers and employees would be losing the real increases to their incomes if we implemented the model of cost of living indexing the opposition proposes. By contrast, our income policy made these real increases in salaries and wages greater than the corresponding increases in all EEC countries, while the increases achieved by pensioners are still more impressive.

PASOK Distributes Poverty

QUESTION: This interview concerns, of course, the ND platform. But would you like to refer to the corresponding PASOK platform?

ANSWER: The more I read it, the less I understand it. It combines paucity of ideas and ignorance of facts. The political and economic programs should not be collections of denunciations and wishes but plans of clear strategy and goals. I wonder if it is advisable to have ND undergo the expense of printing and distributing PASOK's platform in order for the Greek people to understand the difference between the PASOK words and the ND deeds. One concludes that PASOK has devised its own arithmetic. It adds the least to extremely few, multiplies the problems and distributes poverty.

7520

CSO: 4621/40

POLITICAL

ITALY

PCI MESSAGE TO CCP ON ITS 60TH ANNIVERSARY

PM210745 Rome L'UNITA in Italian 1 Jul 81 p 11

[Unattributed report: "PCI Message on CCP's 60th Anniversary"]

[Text] Rome--Today, 1 July, is the 60th anniversary of the CCP. On this occasion the PCI has sent the CCP the following message:

Dear comrades, the Italian Communists are pleased to send you their most heartfelt congratulations on the 60th anniversary of your party's foundation.

The founding of the CCP constituted a major event in the revolutionary movement and in the Chinese people's life. During the past 60 years the CCP has managed to guide the Chinese people along an obstacle-ridden and difficult path to the victory of the revolution, the founding of the PRC and major gains along the path of socialist building in the world's most heavily populated country. This has constituted a major event in the development of the revolutionary process, the cause of human liberation and emancipation and the advance of socialism throughout the world.

On this significant occasion, the PCI Central Committee wishes to express to the CCP Central Committee and the Chinese people good wishes for further gains in the task of modernization and socialist building and hope that the PRC will contribute to safeguarding world peace and to establishing relations of friendship and cooperation among all the world's states and peoples.

We are convinced that the resumption and development of relations between our parties can be positively directed toward the success of this cause.

CSO: 3104/335

VAN DER STEE ON TIES WITH NETHERLANDS ANTILLES

Amsterdam ELSEVIERS WEEKBLAD in Dutch 27 Jun 81 p 15

[Report by Willy Steyling: "Querulous Van der Stee: 'Let's Get It Over With, Otherwise They'll Have to Figure It Out for Themselves.'"]

[Text] The Netherlands Antilles are approaching a few warm summer months. Not only due to the temperature outside, but also inside many brows will be perspiring. No matter how long it has been put off, finally the second Round Table Conference will be held in St. Maarten, from 7 through 12 September. And that is going to need considerable preparation. Afterward the Netherlands Antilles will step onto the long, tortuous path to independence. Contrary to last February, now it is the Netherlands which wants clarity from the Antilles.

Minister of Finance Fons van der Stee, who is simultaneously minister for Netherlands Antilles Affairs, is of the opinion -- in spite of his passion for this overseas territory -- that the "fussing" should now be finished. No more discussing back and forth, no additional reports by yet additional commissions. To get down to brass tacks is what he wants. The Netherlands Antillean himself doesn't (yet) get very excited about it all. Budget deficits are made up by the Netherlands; for every little problem the Netherlands sends over an advisor. Unemployment in the Netherlands Antilles? That is solved by taking on more civil servants, even if the costs of the government apparatus are running amok. Meanwhile -- partly because of political developments elsewhere in the Caribbean area -- an "anti-macamba" mood (macamba means white person) has nevertheless arisen. That feeds the striving for independence of an elite group of politicians, although this phenomenon is limited -- for the time being. The remainder of the population indeed looks with some concern at a future without the Dutch "patronage" and therefore isn't running hard. Neither do the civil servants and other politicians who have to consider their following.

No wonder that Van der Stee is becoming querulous. "Now it has to be finished. Now we must know where we stand. Otherwise they can figure it out for themselves. The Windwards will simply remain with the Netherlands, which indeed they prefer to do, along with Bonaire. Then Curaçao and Aruba will have to figure out what they want to do themselves."

The approaching independence will be a tough struggle and Van der Stee is thoroughly aware of that. The Netherlands Antilles need time. "One cannot possibly let them go at this moment; they lack trained executives, know-how, a good infrastructure, good organization in general. It is a small-scale community in which group interests play an important role. They first have to outgrow that."

Finite

He clarifies: "Development aid is a finite matter by definition. We cannot simply spend 170 to 180 million guilders every year when no development whatsoever is conceivable in a social and economic respect. We give aid on the basis of solidarity within the realm, but we must prevent Dutch taxes from disappearing into a bottomless pit. Therefore I want to get away from project aid and go toward general aid, and judge that the way the International Monetary Fund does it, in a type of 'developmental' [development] policy. One shouldn't give people things which later they cannot pay themselves."

The "100-conditions" to be followed means: tough conditions, no more money, no excessive deficits in the budget. Van der Stee adds to that: "The Netherlands Antilles are helping the poorest of the poor. In 1978 the income per capita was higher than in Portugal or Ireland." In addition it is important to him that a strong sense of state unity; that is the crucial point.

It is not without a country becomes politically independent; the Antilles don't want to become independent from our country. But there is no way back, not for the Netherlands either." A transition period of a year is being anticipated (for the time being) toward a situation whose shape is still being discussed.

It is certain that, afterwards, the Netherlands Antilles must function independently, also in its economy. "On that occasion we will have to negotiate later relations in the area of development cooperation."

Aruba has oil off its coast, and that can yield money. Money it prefers to keep for itself rather than share with the other islands. Thus political leader Croes says that Aruba wants to think over between now and 1986 whether it will stay in the union. For should the oil yield too little, then one could still creep back into the Dutch mother lap. Van der Stee: "I asked him what kind of stories those were. His argument is that the majority of the Aruban population wants that, but I don't accept that."

On September 15 the matter will be completed. "I want to reach definitive conclusions," says Van der Stee, "but I won't have any sanctions if it isn't successful. Even if we still indeed suffer consequences."

What does the tap mean? "Let me put it this way: we'll align ourselves differently. The voices of people who want us to withdraw are also becoming louder. I have explained the situation extremely clearly to Casseres (minister plenipotentiary of the Antilles in the Netherlands -ed.) and Croes. Tough discussions have been held. Things cannot go on like this. The entire economic and social development of the Netherlands Antilles is being frustrated by it."

The tough attitude of the Netherlands has not escaped the attention of the surrounding countries. "It is no secret when I say that both the former and the current regime in Venezuela is afraid of Cuban infiltration. They make sure they express their concern on that to us," says Van der Stee.

After independence the Antilles want the Netherlands to continue to take care of defense. "It is very simple: we carry our responsibility as long as they belong to the realm, and no longer. Independence and that guarantee don't get along, for then we implicitly declare ourselves in agreement with the regime there. And that has nothing to do with us. I predict a schedule for completion of 1 to 2 years," says the minister.

Shell

Once more a responsibility was assigned to the Netherlands. In 1980 a conflict arose between Shell and Curaçao about the COT [Curacao Oil Terminal] tax, an "environment levy" which was meant only as a compensation for the tax relief which had been promised to Shell for new installations before the Martina regime. Shell wants back the 90 million guilders it paid meanwhile. Curaçao thought the Netherlands should talk with Shell; if a refund had to be made, a deficit would arise which would have to be covered by The Hague anyway.

"The Netherlands will not pay those 90 million. I disassociate myself completely from that. Levying taxes is their own responsibility. Even though we guarantee the reliability of the government, we cannot see to it that it happens according to Dutch standards," says Minister Van der Stee.

The tax treaty with the Netherlands plays an important role for the future. The offshore sector puts a not inconsequential amount of 100 million in the drawer. Van der Stee has been unhappy for a long time already about the flight of billions [of guilders] overseas.

"There are indeed problems in the tax area. Too many Dutch individuals and enterprises have their profits and incomes deposited in the Netherlands Antilles, to the detriment of the Dutch treasury. We are in the process of erecting a dam against that."

One way in which the Antilles would be able to have more control over their own finances, would be through the foundation of the Antillean Development Bank which has to stimulate industry. This has been under discussion for a long time, but nothing has materialized yet. Van der Stee: "It is very important for that [bank] to come into being soon. What Wagner wants for the Netherlands, we have been wanting for the Antilles for many years, but no headway is being made. It is a pity, for many unemployed could have had a job if that had been approached more energetically by our fellow subjects of the realm.

KLM

Also the conflict between the Antillean Airlines [ALM] and the KLM on the monopoly of the Netherlands on the Amsterdam-Willemstad route ended up on the table

in The Hague. The KLM rates are too high to actually promote tourism to the Netherlands Antilles and the KLM won't allow foreign carriers on the route, including charters. Its connections with VIASA, the Venezuelan airlines, support KLM in that effort. The landing rights in Caracas are an important weapon in the struggle against competitors. The KLM denies that the route is profitable.

Van der Stee: "The KLM has a position of monopoly, and I have the impression that the rates are indeed very high. I am also convinced that that route does yield profit. My primary concern however is not the KLM, but promotion of tourism to the Netherlands Antilles. The Antillean Airlines ask for our support, but the Dutch government is of the opinion that the Antillean government and ALM first have to outline what they want. ALM will never become a strong competitor of the KLM if it wants to develop into a mid-atlantic carrier. If the ALM continues on that route, it must be done on a commercial basis, just like any other 'public utility' and not with money from development funds."

"I am however prepared to come up with 30 million guilders for stimulation subsidies for airplane seats, the training of hotel personnel and the building of middle class hotels. One should wonder, however, whether that future flow of tourists is fated a long life with the increasing energy costs."

At the time being the Antilleans have plenty of debts to pay off. They are for 500 million guilders in the red with respect to the Netherlands. "It is good that the Netherlands will gradually remit those debts. The amounts must be used for the development of the Netherlands Antilles. In 1980 40 million has been returned in interest and redemption, and that money has been used as a redemption of their debt to the Central Bank of the Antilles, for the sake of the reconstruction of their economy," says Van der Stee.

Reservoir

The already almost legendary "reservoir," a financial Pandora's box which is often opened in the Netherlands Antilles, but whose contents no one knows -- read: wants to know -- is drying up considerably. The minister: "Until 1978/79 a lot of money intended for the Netherlands Antilles was not used. The long-term estimates for 1978 through 1981 have been increased by it. Misunderstandings have arisen through it. Moneys which I have committed have been partly spent, partly not spent. But the commitments were made, even if the money has not been paid. And that is true for tens of millions."

If Van der Stee continues to be minister -- as he hopes -- the portfolio of Antillean affairs will remain in his hands. Should he not be part of the next cabinet, he wants to have completed the work toward the Netherlands Antilles' independence. Then the matter can be handed over to a successor a year from now, but the question is to whom, that is to say, to which particular minister. The combination with Finance met with considerable criticism because it was too close to the money tap.

Van der Stee gives an ironic summary. "Foreign Affairs? No, for the Netherlands Antilles are not foreign. Domestic Affairs? No, for they are autonomous."

CRM [Ministry of Culture, Recreation and Social Work]? No, they are not welfare recipients. But a few ministries are attractive: Justice, Transport and Waterways or Agriculture. If I stay, I keep it, but that is still up in the air. The formation is a lottery. The Antilles themselves would like their own secretary of state, but I have always been against that. The portfolio is not of an adequate level for the Antilleans.

8700

CSO: 3105

'UNIONS INHERITANCE' SEEN AS MAJOR ISSUE NEEDING RESOLUTION

Madrid EL SOCIALISTA in Spanish 17-23 Jun 81 pp 16, 17

[Text] Representatives of the government, the UGT [General Union of Workers] and Workers Commissions [CCOO] met on Monday, 8 June, at the Ministry of Economy, 162 Paseo de la Castellana, where the trilateral agreement on employment and wages was signed 3 days earlier in the presence of the employers' organization, the CEOE [Spanish Confederation of Business Organizations]. With this extremely important issue resolved, majority trade unions and the government prepared to settle another: the return of union property and strengthening trade unions as fundamental pillars of the democratic system.

The result of the 8 June meeting and previous bilateral contacts was a very brief document by which the return of trade union property accumulated during the long years of dictatorship was formally begun. In this document, which is still pending signature, the government pledges to turn over to trade unions and employers' organizations a large number of premises comprising this property and to include in the General State Budget significant items for trade union funding. Such funds are provided toward future payment of the unions' inheritance. The UGT and CCOO will in turn freeze their claims on union property for the next 3 years.

2.400 Billion Pesetas

The total amount which the government will pay to the unions is 2.400 billion pesetas, distributed at the rate of 800 million pesetas annually through the 1982, 1983 and 1984 budgets. Distribution criteria have not yet been established, although it is planned that each of the two majority trade unions will receive more than 300 million pesetas annually. The rest of the subsidies will probably go to other representative unions such as the ELA-STV [Basque Traditional Catholic Labor Union-Solidarity of Basque Workers], accounting for more than 15 percent representation in the Basque Provinces, and the Galician nationalist trade union, INGA [expansion unknown].

On the day that the agreement is publicly signed--in about 1 week--the government will submit a detailed list of the available real estate, which will become available to trade unions and employers' organizations within a maximum period of 2 months (by early September). The number of buildings to be included in this list is between 150 and 160, according to union sources, and not more than 120, according to other sources.

Employers Angered

The agreement reached between the government and trade unions concerning union property has angered the CEOE, upset the ultrarightist newspaper EL ALCAZAR and surprised another newspaper which, paradoxically, was not at all surprised when the government granted the church a subsidy of 7.600 billion pesetas, a figure which was published in a recent economic report.

When CEOE leaders learned of the agreement's existence, they lashed out with denunciatory statements, complained about not having been included in the negotiations, began to protest to the government through various channels and threatened to revise the employment agreement which they had signed several days earlier. But the outcome will apparently not be disastrous: according to observers, the 2.400 billion pesetas approved by the unions cannot jeopardize the agreement on employment, which is much more important and far-reaching.

The anger of employers also seems to be basically intended to cause a stir, but it lacks real substance. In trade union circles, it is believed that the CEOE was certainly aware of the imminence of this agreement. According to union sources, the negotiations were never secret and the existence of such contacts came to light on one occasion during the tripartite talks on employment. The CEOE also has no convincing argument for acting so shocked, since it has also concluded certain bilateral agreements with the government. The result of these agreements is apparently certain government commitments, whose literal content is unknown, concerning fiscal policy and social security.

A Secret Agreement!

One of the things which seems to bother the CEOE most was the supposedly secret nature of the agreements. Official spokesmen for the government and the unions have denied that these negotiations were secret. It seems certain that at some point during the negotiations, the government stated the advisability of maintaining a certain amount of discretion in this regard. In principle, the unions shared this concern for discretion to prevent these talks from being associated with the trilateral agreements on employment, which were coming to an end. The final wording of the agreement was suspended for the same purpose until the trilateral agreement was signed. The signing of the new agreement, which will be publicly formalized in a few days, was also postponed.

End of Dropper Philosophy

A long period in the history of the transition will end with the signing of this agreement: what could be called the "dropper philosophy." The expression, which unfortunately became popular, was first used by a high-ranking source of the Suarez administration during a private meeting: "There will be no problems with the trade unions," he said. "We will control them by returning their property to them with a dropper." But time has passed, democracy has fortunately survived and the chance successes (the droppers, the sources, Suarez himself ...) are part of history. The dropper philosophy has simply been replaced by the philosophy of democracy.

The present government leaders have apparently realized that trade unions are neither to be destroyed nor, of course, to be controlled. On the contrary: democratic

philosophy requires the government to support all of the system's basic institutions, especially workers' organizations. A strong democracy--it is now said--needs strong trade unions. The protagonists in the agreement on union property point out that in all European countries the government subsidizes the unions in one way or another.

The agreement reached by the unions and the Spanish Government is not only in accord with this philosophy of strengthening democracy, but also with the legitimate and historical claim of wealth accumulated through the contributions of workers during Francoism. The trade union and government sources consulted agree that this agreement is the first really important step toward returning the wealth accumulated. Although the 100-odd buildings and the 2.400 billion pesetas are only a small part, an advance on the total wealth to be returned, the fact that the matter has finally been discussed openly and effectively appears to be one of the most important events of the current democratic period.

11915

CSO: 3110/124

OFFICER FINDS LEFT'S IDEAS ON DETERRENCE ILL-CONCEIVED

Paris LE MONDE in French 14 Jul 81 p 2

/Article by "Velite," (the pseudonym of a high-ranking officer on active duty, according to an editor's note)--passages enclosed in slantlines printed in italics/

/Text/ On 14 July this year, the French Army for the first time in many years will file past a socialist president of the republic. What kind of defense might he establish? A high-ranking army officer, writing under the pseudonym of Velite, criticizes the very notion of "democratic deterrence," while Jean Paucot, a PS member, believes it supplements the development of the strategic nuclear force. General de Boisfleury, for his part, insists on safeguarding the unity of the forces.

The left is in power, the new era has begun, and the little world of the military, suddenly torn from its trusting reliance on doctrines which until recently were official policy, is anxious about the future. Several ghastly specters loom: soldiers' committees, 6-month tours of active service, the elimination of the /foreign?/ legion, unions in barracks, etc. All the same, during its years in the political wilderness, the left aired its views on defense problems, and its most renowned experts are now in the government. The options are clear, and, recently, the new defense minister reaffirmed that /"deterrence would be both nuclear and democratic"/ echoing earlier writings and statements.

Nuclear deterrence is widely understood. After the early problems with the "bomb" it won an astonishing consensus which is now virtually complete except for the ecologists, the PSU /Unified Socialist Party/ and the trotskyites. Some have even gone so far as to call for 15 missile-launching nuclear submarines, without reflecting too much on the fact that we are already having trouble building, arming, navigating, and protecting the environs of those which already exist. Nuclear strategy is thus regarded with respect by the left, and in accordance with this view the president chose the commander of the strategic air forces to be his special chief of staff, and the minister of defense, an admiral, to head his military cabinet.

Democratic deterrence is an old leftist idea. One thinks back to the volunteers of the Year II [of the French Revolution], to the soldiers of 1870, at Jaures, in the Resistance, in Vietnam, etc. Not all soldiers are necessarily hostile to this idea. One could imagine a multitude of Alpine infantry soldiers without skis and parachutists without parachutes in perfect solidarity with the leftist thinkers. Rustic, thrifty, ever up one hill and down the next, ready to settle with machine-guns and bazookas their squires against the /"fierce soldiers"/ who would have the audacity to /"come up and devour our daughters and our friends."/ [Italicized words in this line are quoted from La Marseillaise, the French national anthem.] As was the case during the Algerian War, there would once again be numerous regiments and divisions, and, thus, commands for all the generals and colonels. In a general way, it would facilitate a coming of unemployment without having to pay the wages needed for white-collar work, while at the same time improving and rehabilitating military service to its former position. In the presence of such an inspiring picture, it would be sacrilege to ask whether these units of citizen-soldiers would really fill modern armored divisions supported by abundant air power with all that much dread. One may deplore the fact, but beards and long hair are not enough by themselves to give the marchers of the nation, the barricaders of the Sorbonne, or the dancers of the Bastille the feeling of Afghan mountain fighters [Historic references to past actions in Paris].

But we must also speak about numbers. The military budget is not extensible, and it would be surprising to see it increased. So, if one adds the expenses of equipping strategic nuclear forces and feeding and paying the human forces (for the issue is always raised of linking pay to the SMIC), there will not be much left for the tactical intervention forces (it is true that the legion will be eliminated...) and especially for the armored mechanized battle corps, supported by tactical nuclear weapons including eventually enhanced radiation weapons. Naturally, we will keep several squadrons of tanks in order to parade on 14 July, as symbolic as the uniforms of the Republican Guard. But we will make haste to throw into the dustbin of history all the hardware of war, now laden with electronics, expensive to purchase and maintain, and voracious consumers of fuel.

The arms industries, so it is said, are perhaps to be converted into factories to make spinning-wheels and windmills for the Third World, and the drilling fields into pasture for sheep. The catastrophic abandonment of the Larzac, the hesitations about warhead testing, and the disassembling to Bourget over missiles and bombs are as yet only cautious first steps toward the interment of our armored divisions.

Let us abandon romantic dreams before it is too late, and return to realities. As the minister says, /"defense is not only national, it is global."/ But this basic truth also applies to its military component, which is even less able to sustain illusions than the other component. A great power, protective of its independence, must be able to respond to aggression in ways adapted to the resources of its technology. A powerful mechanized armored force, nuclear-equipped, should be able to back the country's resolve without having to resort immediately to nuclear paroxysm. And it, as is often reiterated, France must still play a role alongside its allies, it is only with nuclear-conventional forces that it will be able to do so, and not with "franco-missiles"* or battalions of partisans.

* Strategic missiles on the Plateau of Albion, analogous to the Euro-missiles.

IMPORTANCE OF ENCOURAGING MILITARY UNITY EMPHASIZED

Paris LE MONDE in French 14 Jul 81 p 2

[Article by General Bernard de Boisfleury (Ret.) an army corps general (in the reserves) and former inspector of operational territorial defense (DOT)--passages enclosed in slantlines printed in italics]

[Excerpts] In the conclusion of an article that had great impact, published by REVUE DE LA DEFENSE NATIONALE in December 1967 under the title "Directed Defense or All-Sided Defense," General Ailleret* maintained that the only solution compatible with the interests of our country and worthy of it was /"to create, with its own resources, a defense system that is not directed against anyone, but worldwide and all-sided, of the maximum power permitted by its national resources..."/ This position, given expression with the approval of General De Gaulle, remains valuable and logical. The ultimate rationale being: deterrence and freedom of action both depend on determination, about which there must be no doubt, and on the means available, about which there is room for constructive differences of opinion.

While the financial commitment for national defense seems to me to be set presently at the highest level compatible with the economic and social health of the country, which is also an essential aspect of its independence and security, it is less clear whether what is being done is being coordinated well.

It is not only because of tradition that the armed forces are divided into three separate forces, the army, the navy, and the air force; and the police forces, along uniquely French lines. Doubtless tradition is often a pretext that allows everyone to protect his autonomy. The era when there were three different ministries, then three secretaries of state, is not completely forgotten. Thus one can observe the tendency within each branch to diversify its elements, so that the navy and the air force both have ground forces of some considerable size, the army has an air capability, and the police are not only on the ground but on the seas and in the air. This development merits inquiry, given the fact that it translates into specialized equipment, infrastructure, and operations programs.

*General Charles Ailleret was chief of staff of the French forces from July 1962 to March 1968, when he died in an airplane accident on Reunion.

Evidently, the environment in which the forces are called to operate justifies their special features. Beyond this criterion, we enter the domain of the deployment and use of a package of forces, through coordination of its complementary components. The uniqueness of each force is thus legitimate, from the perspective of rigorous adaptation of organization, equipment, education of personnel, and training for battle conditions. What is needed is in all cases to reach the maximum degree of operational efficiency, without which the units ordered here and there into battle where they are numerically inferior, and where initial success is critical, will have no chance.

In sum, the uniqueness of the forces is the fundamental prerequisite for their effectiveness. All the same, the parochialism shown by each branch is another matter.

Competition or Dialogue

The integration of military structures into a single whole began following World War II, thus more than 35 years ago. It has been achieved gradually and rather slowly, and was faced with many hurdles to overcome. Virtually complete in the domains of armaments, general administration, and regulation, it remains incomplete with respect to the forces and their supports (except for the creation of joint services: health and fuel). It must be emphasized that during this 35-year period, the respective branches have certainly gone through some transformations and had their difficult moments, in the course of which urgent crises had to be faced and structural reform delayed.

For nearly 20 years now, the various branches have been engaged in a process of conversion, the first phase of which, carried out between 1962 and 1968, involved adapting military working and living conditions to the European context. It was then that the nuclear imperative, which first impacted on the air force, took on its full significance.

The second phase was to consist in following this to all its logical conclusions, particularly by centralizing management functions to achieve greater precision in programming, in the face of increasingly difficult technical and financial problems. One has to admit that this objective has not yet been attained. The general organization of the forces remains characterized by its lack of unity in the field of command and direction of military policy. Thus, situations have been allowed to persist which are all the more difficult to redress because they have become so solidly established. It is unnecessary to cite examples: they are rather obvious and well-known, in research and development of materiel, in infrastructure, even in administration.

The administrative process of planning-programming-budgeting-monitoring forms an integral whole, one which it is dangerous to sever. It is indispensable for ensuring firm leadership and strict continuity between the definition of objectives and the registering of results. In that connection, the articulation of the command structure whereby the general staff of each branch is autonomous might be perceived as an advantage from the point of view of each branch. From a general point of view, however, it is an insurmountable weakness, as competition most often prevails over dialogue. How could it be otherwise, since those are the rules of the game?

Centralization of the command function is, consequently, the first prerequisite of effectiveness, including the ability of the minister to exercise authority over the forces. There is room for an overall military general staff, within which would operate not only officers of the three service branches and the police, but also engineers, administrators, supervisors. As for the service general staffs, subordinated to the former, a large role of continued importance would remain: direct management of the forces, bringing them to a condition of battle readiness, and contact in the field.

It is not paradoxical to maintain that centralization of the military administration, that is, both reducing the numbers of administrative personnel and reducing the number of loci of decisions, is the first step toward a decentralization of operational and territorial command, the necessity for which seems obvious. To decentralize is to delegate execution, and one must first know who is delegating what. This observation applies particularly to the domain of territorial organization in France, which must be endowed with the unity and strength necessary to radiate throughout the nation. It shows itself first of all to be the superposition of the geographic entities belonging to each branch, and each depending on a separate general staff.

It must also be able to respond to defense demands in the broadest sense of the term; in this respect, it should always be of a combined nature.

By contrast, the organization in place in the overseas departments and territories has neatly synthesized these two demands and achieved a balanced combined-forces mode. This, in my opinion, is the direction we should pursue here at home, it being understood that military organization will have to take into account regional development as a whole.

Up to now, it is a fact that the parochialism of each branch has maintained a sort of status quo, and it could be regretted that the necessary changes have not been accepted voluntarily. Is it not true that any reform subject to the veto of those to whom it would apply is doomed to fail? Ultimately, the evidence will be so overwhelming as to make change necessary, and it would seem desirable to prepare people for this.

9516

CSO: 3100/856

MILITARY

FRANCE

BRIEFS

AIR FORCE APPOINTMENTS--Appointed members of the Air Force Board for the year 1981 are: Air Force Gen Philippe Archambeaud; Air Force Lieut Gen Paul Huguet; Air Force Lieut Gen Jean-Charles Grenet; and Air Force Lieut Gen Bernard Capillon. Promoted to Air Force Lieutenant General, with effect from 1 June, Air Force Maj Gen Jean Rajau. [Text] [Paris AVIATION MAGAZINE INTERNATIONAL in French 15-31 May 81 p 13] 9238

NEW CORVETTE ASSIGNED--The "Dupleix," the second of six programed 3,850-ton ships, joined the Mediterranean squadron yesterday. The "Dupleix" is identical to the "Georges-Leygues," which was placed in service 2 years ago. It is 139 meters long and is manned by a crew of 15 officers, 95 petty officers and 110 enlisted men. This corvette is designed for antisubmarine warfare, and is armed with sea-sea missiles, a Crotale antiaircraft system, and 10 torpedoes. It can carry two Lynx helicopters, which are its antisubmarine warfare auxiliaries. [Text] [Paris LE MATIN in French 30 Jun 81 p 4] 9238

CSO: 3100/849

RETIREMENT LAW SPARKS DEBATE

Nicosia CYPRUS MAIL in English 12 Jul 81 p 3

[Text] The legislation passed this week by the House of Representatives for the early retirement of public servants, teachers and policemen provides a new chapter of conflict between pro-government and opposition papers.

The controversial point concerns the provision which allows the government to require a public servant to retire prematurely without giving him the reason for the call.

The provision was hotly contested in the House with the government Democratic Party of President Kyprianou and the communist Akel party voting for it and the Right-wing Rally party of Glafcos Clerides and the socialist Edek party of Dr Lyssarides against.

SIMERINI, the Rally party yesterday attacked again the measure and so did the Right-wing independent AGON which notes that the government has already powers for dismissal and therefore it would be difficult to understand the reason for the additional powers if no use is to be made of them at one stage or another.

The AGON editorial says the passage of the measure by the House amounts to the mythical release of the winds by Aeolos, the ruler of the winds, and if the argument is right that the government will not abuse this right there can be no guarantee that this or some other government will not do so in the future.

The paper's commentator "Paratiritis" also chooses the subject for comment and says that it is a javelin that would be an irresistible weapon in the hands of the rulers against the public servants and those who supported it had supported an undemocratic cause.

SIMERINI finds strange that the Public Servants Union had, according to the parliamentary spokesman of the Democratic Party, collaborated with the government in the drafting of the legislation.

HARAVGHI, the official organ of the communist Akel party which supported the legislation in the House, defends the right of the Ministers to terminate the services prematurely and finds suspicious the Rally opposition to the measure.

It is obvious that the Council of Ministers will make only sparing use of the powers in exceptional circumstances and if there is case of excess the House could act, if necessary, it says.

ELEFTHERTYPIA, the Democratic Party paper, says the measure opens the way for vacancies for new graduates and therefore the Rally opposition means barring opportunities for new generation of graduates.

The delay in the start of the work of the Investigatory Committee for the Missing Persons is again in the fore with the official Greek Cypriot side avoiding direct comment as to the actual causes.

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